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## The smE-MPOWER Practice Guide: Designing and Implementing a Comprehensive Coaching Scheme



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## INTRODUCTION

Small and medium-sized enterprises (SMEs) represent a crucial driver for the economy. They are not only employing around 67 % of the EU working population<sup>1</sup> but they are also considered to be key for economic growth, innovation, job creation, and social integration in the EU. This why, policy makers seek efficient support tools and activities for accelerating growth of SMEs in their regions.

In the course of the last years, a substantial shift has taken place from subsidy-driven schemes towards individualized demand-led programmes for SMEs. In this context, an increasing number of regions recognize the value of innovation coaching, which nowadays become one of the most promising types of innovation support for SMEs.

Public funds to support an innovation coaching scheme for SMEs are needed because of three types of market failure:

- SMEs are very often 'trapped' in their own mind-set, their 'bubble', with their leaders being reluctant to accept external help with strategic decision-making.
- Although some SMEs have already used advisory services offered by private consulting companies, the quality of advisory services varies significantly - as a result in several cases SMEs spend time and money on services with no or even negative impact.
- In case an SME does recognize the value of business coaching and is looking for a high-profile coach, SME very often finds that the coaching service is too expensive.

Therefore, an innovation coaching service delivered by an acknowledged/certified business coach and subsidized by public funds can be the appropriate response to these market failures.

A number of European regions<sup>2</sup> are considering the option of introducing a coaching scheme for SMEs or they would like to improve their existing schemes. The smE-MPOWER methodology (Part 1) has been adopted by several European regions as well as by the EU SME Instrument programme, making real difference to the prospects of the involved SMEs. The main aim of the Design Option Paper (DOP) is to outline a plan for the effective implementation of the smE-MPOWER system for innovation coaching and therefore assures the quality of services provided to SMEs. Bearing in mind that the starting position varies a lot among regions, the implementation handbook explores best practices and recommendations for setting up and implementing or improving coaching schemes in regions with different framework conditions (Part 2). Thus, the DOP targets to help the innovation agencies with designing and implementing a regional coaching scheme. It is a result of a project "Peer-BIT" and the joint effort of five European regions: South Moravia, Lithuania, Upper Austria, Western Switzerland and Saxony-Anhalt.

<sup>1</sup> [http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics\\_on\\_small\\_and\\_medium-sized\\_enterprises](http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_small_and_medium-sized_enterprises)

<sup>2</sup> The DOP can be applied to countries, as well.

## PART 1: THE SME-MPOWER COACHING SYSTEM

smE-MPOWER is an effective business innovation coaching system. Initiated in 2005 as a European project with specific focus on research intensive SMEs (see box beside), it targets the business innovation system of SMEs including traditional companies as well as fast growing high tech enterprises from emerging sectors.

The coaching system is the result of a step-by-step development process. In 2002, Western Switzerland decided to focus their Regional Innovation Strategy on the untapped innovation potentials of the SMEs in the region. The evidence at the time was that almost half of the SMEs' innovation projects weren't implemented successfully due to considerable internal shortfalls. In contrast to the traditional innovation policy that focused on the supply side (research organisations etc.), the regional choice centred clearly on a need and demand driven approach. About the same time, the EC launched a discussion on how to improve the poor performance of the exploitation of R&D results by SMEs. The EU Supportive Action programme was set up to address this issue, one of the proposals selected for funding in 2005 was the smE-MPOWER project. Enthused by the very positive feedback from SMEs involved in the project, the project team initiated the international smE-MPOWER community as soon as the project was completed in 2008. The mission of this community was to further develop the overall concept and to disseminate the proven coaching approach. Since then, smE-MPOWER progressed to a transferrable and scalable system with implementations in Western Switzerland (plattin), Brno region of the Czech Republic (JIC) and the European Union (SME Instrument). smE-MPOWER includes two transferable 'components': the Coaching System and the Web-based Platforms.

### The coaching System

The Coaching System includes two critical job profiles and two pools of knowledge.

**Methodological building blocks:** For a collaborative network of actors to become a system requires shared language and a common understanding of the main terms. smE-MPOWER has developed three building blocks related to business innovation dynamics in SMEs:

- I. The life cycle model
- II. The business innovation system
- III. The subject-object interaction.

**Key Account Manager (KAM):** The KAM has a generalist role and is responsible for the effective integration of various elements of the system. KAM's role requires a geographical proximity to SMEs. The key tasks are:

- I. to help the SME identify coaching priorities;
- II. to help the SME identify and source coaches that are right for the company;
- III. to link the SME to additional support services available regionally or nationally;
- IV. to navigate the SME successfully through the business innovation stages.

*"The matchmaking was perfect for us. Eventhough, we already had a draft version of business models etc., he brought in new perspectives that we are currently considering and that will change not only the business model but the way we will package the product and take it to market."*

Micro company, IT

**Business innovation Coach:** The main mission for business innovation coaching is to empower SMEs to deal with the challenges involved in the implementation of business innovation. smE-MPOWER provides four reference coaching profiles addressing recurrent need areas of SMEs:

- I. Business development (main orientation: market);
- II. Organisational and resource development (main orientation: performance);
- III. Cooperation (main orientation: partnerships);
- IV. Finance (main orientation: investment).

**Knowledge library:** A need and demand driven coaching service requires a strong alignment with the SME's situation. A comprehensive library of methods, practical tools and real-life examples has been developed to enable coaches to respond even to the complex requests from SMEs. The tools are specifically designed to be SME-friendly since:

- I. they are highly interactive;
- II. they provide visual representations and interfaces;
- III. they are focusing on the essential namely the 20% of tools and methods that are relevant to the 80% of targeted SMEs (the Pareto law).

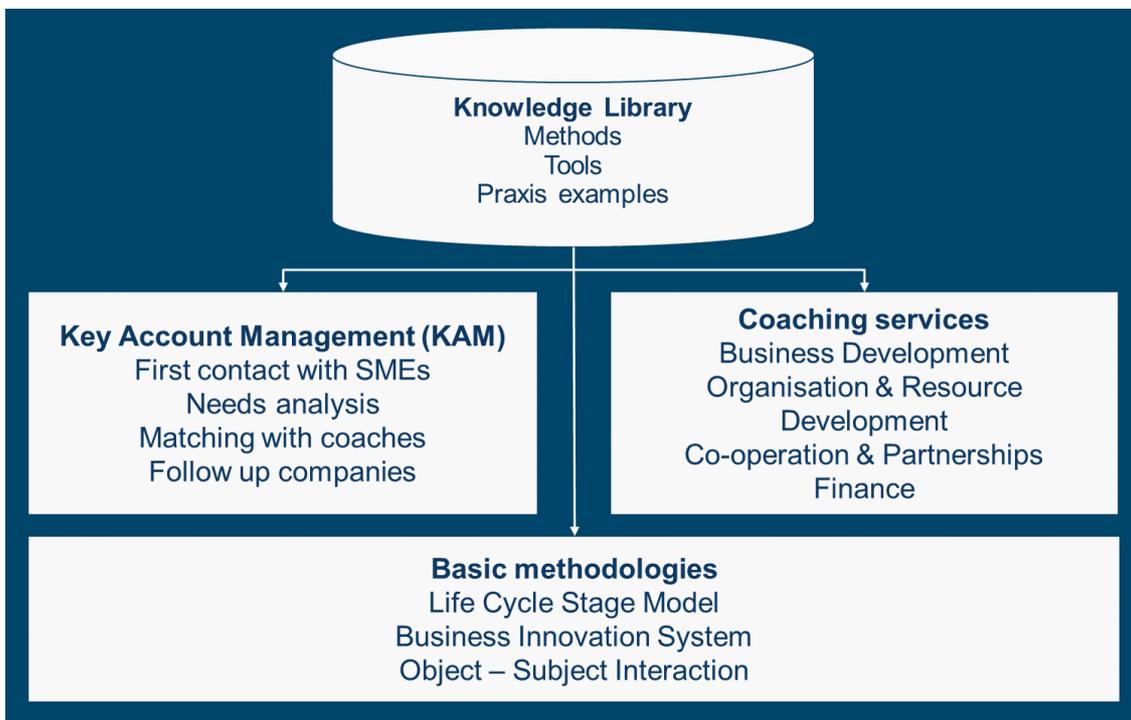


Figure 1: smE-MPOWER coaching system

### A Web-based Platform

A demand-led coaching system requires a complex network organisation incorporating different stakeholders and specific management processes to enable their horizontal and vertical co-ordination. The challenge becomes even bigger if you take into account the critical mass of actors (e.g. innovation coaches) required for achieving a high responsiveness to the diversity of SME needs.

The organisation and management of such a complex structure became a major concern of the smE-MPOWER team, when, in 2014, the European Commission (EC) decided to adopt and scale-up the smE-MPOWER system in order to be able to offer a coaching scheme for the SME Instrument programme. The development of a professional Web-based system became a top priority with substantial development and validation taking place since then. The web-based system designed and developed by the smE-MPOWER community offers three modular platforms to support all stakeholders (e.g. programme managers, KAM, coaches) involved in the delivery of coaching. The three modular platforms are the CaseTracker, the CoachMatch and the Knowledge Portal.

**CaseTracker** platform is the information backbone of the coaching system and it enables high level reporting to the political stakeholders. Its functionalities support the following three processes:

- I. Operational process, which includes in particular the daily tasks of the programme management, the Key Account Managers (KAMs) and the coaches. The CaseTracker is a single platform used by all these actors to process the SME's business innovation 'case' and manage and capture all KAM and coaching activities around this case.
- II. Strategic process, which includes tasks such as business innovation intelligence, Key Performance Indicators (KPIs) and instant on-line reporting.
- III. Resource management platform, which includes the interface with the coach database (CoachMatch) and to the knowledge library (KnowledgePortal), described below.

The CaseTracker contains the vital information on customer SMEs, such as their innovation needs, the selected coaching service as well as a number of indicators on impact (from the SME point of view). It is recommended to host the CaseTracker on a dedicated server under the responsibility of the relevant programme.

**CoachMatch:** A prerequisite for effective coaching is the match between an SME's needs portfolio and the Coach's competence profile. The CoachMatch Web-based platform aims to support exactly this fit. It offers the following functionalities:

- I. Coaches can login and define their competence profile and apply for becoming part of a coaching programme. The classification system is identical to that of the needs analysis in the CaseTracker, to assure complete alignment between the two.
- II. The programme manager or resource manager gets an alert on new coach applications and decides on their accreditation.
- III. KAMs, who are searching coaches for specific SME's needs, can match the identified innovation needs with specific coach profiles and establish a shortlist of proposed coaches for the SME concerned. The SME can then make the final decision and select the most appropriate coach.

There is one central CoachMatch server, currently with over 1000 coach profiles. For each new coaching programme a specific host account will be created to allow synergy between the pools of coaches identified by different support programmes. The current solution also allows low access cost (SaaS, Software as a Service).

**KnowledgePortal:** SMEs are managed by people who prefer making their own decisions but based on rational arguments and a clear logic. A distinctive characteristic of the coaching philosophy is its strategy to empower SMEs: SMEs will have to acquire the skills and the knowhow for solving their own challenges! In other words, the professional experience of a coach should be "translated" into knowledge (in form of methods, tools, implementation tips, good/bad practices etc.) that is –relatively easily- transferrable to the SME senior managers. This is exactly the purpose of the rich and dynamic content developed within the KnowledgePortal which offers the following functions:

- I. The newest versions of the smE-MPOWER tools are uploaded on the KnowledgePortal
- II. Platform registered users can submit knowledge material for evaluation and for pilot use
- III. A team of smE-MPOWER experts evaluate the submitted knowledge material, interacts with the author(s) in order to improve the material and finally to relate the new material in the knowledge classification system and label it to enable an easy future usage.
- IV. Users can search for knowledge material through four search modes: a) by search criteria; b) by Business Innovation areas; c) by life cycle stages (of the SME), and d) by coaching services.

The KnowledgePortal is provided through a central server and is accessible as a SaaS (Software as a Service).

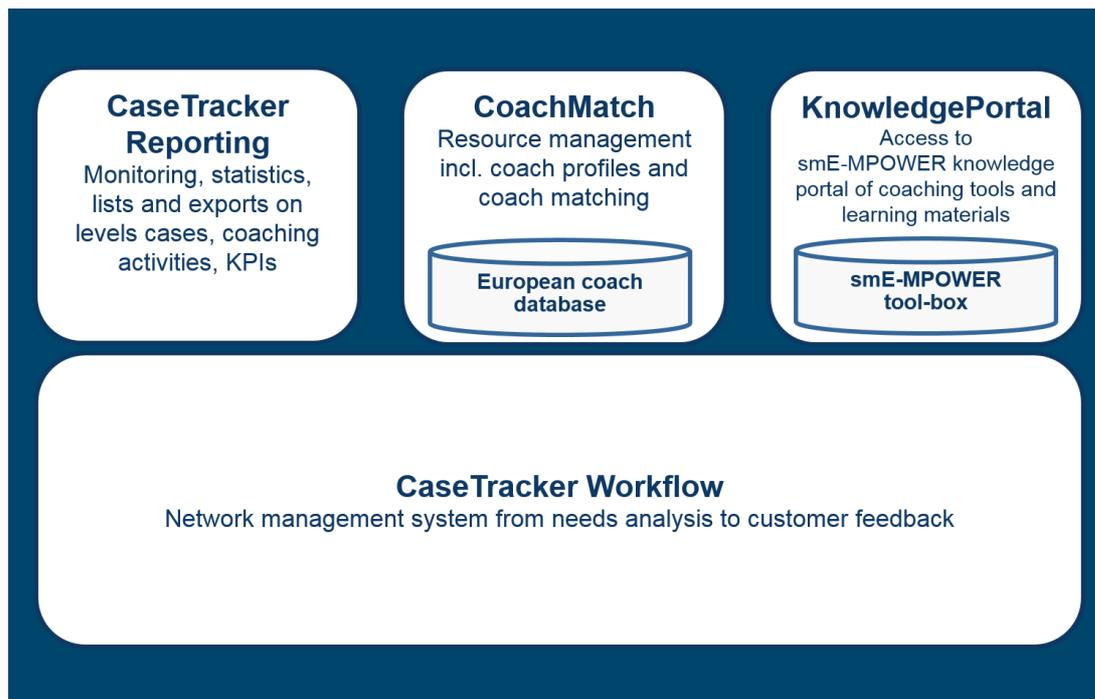


Figure 2: smE-MPOWER WEB platforms

The smE-MPOWER package, namely the coaching system and the professional Web-based platform, offers a proven and transferrable approach for those regions and/or programmes, which intend to support SMEs' business innovation needs, aiming ultimately to enhance growth, create jobs and boost competitiveness.

## Origin and history of smE-MPOWER

The roots of the smE-MPOWER approach goes back to a European project entitled "Empowering SMEs for long-term research interest and increased participation in EU RTD activities" (ETI-CT-2005). The vision of the project was to "empower SMEs for long-term research interest and strategic participation in EU RTD activities". Setting up a community of practice of SME intermediaries and innovation coaches was at the very heart of this approach.

smE-MPOWER has been developed completely as a response to the needs of small companies while it drew from the significant experience accumulated by the innovation network of **Western Switzerland platinn**<sup>3</sup>, based in Fribourg and supports SMEs across the francophone Swiss cantons.

Since 1998, platinn has coached into innovation thousands of SMEs dealing with the challenges recurrently encountered in the practice of coaching business innovation. platinn has also collaborated with international partners in a series of European Union funded projects (e.g. HARMONY, SYMPHONY, smE-MPOWER, SM-Bio-Power, RAPPORT among others). These experiences have allowed the smE-MPOWER team to validate and further develop its approach in business innovation coaching. Through these successful EU projects for SME innovation as well as through the participation in the DG RTD's SME Advisory Group some of the integral principles of smE-MPOWER became seeded approaches to generate new strategies for supporting innovation in European SMEs. For instance principles like "innovation on a demand basis" (or as usually put in a more colloquial way "SMEs in the driver seat"), "business innovation coaching" (referring to the vital significance of integrating innovation activities and the business strategy and the business objectives) started influencing the way of thinking of European policymakers.

In 2013 the European Commission decided to establish the Executive Agency for SMEs (EASME) and a few months later EASME decided to set-up a special programme **the SME Instrument** (SMEI) programme within the framework of Horizon 2020<sup>4</sup> with the primary objective of supporting innovation in SMEs. One of the early decisions of EASME was to offer a comprehensive coaching scheme to all SME projects selected for funding by the SMEI programme. Following an open bid to set up a comprehensive coaching scheme, in 2014, the **smE-MPOWER team became the preferred consortium**, to develop in close collaboration with EASME a system to deliver the business coaching services to SMEI beneficiaries.

The smE-MPOWER based programme for business coaching has also been **adopted by the South Moravian Innovation Centre (JIC)**<sup>5</sup>, where it has been adjusted to the specific regional circumstances and shaped into a subsidized programme. As a result, since 2014 over 100 SMEs have had the opportunity to improve their innovation performance and competitiveness in South Moravian region. Similarly the **Lithuanian Innovation Centre (LIC)**<sup>6</sup>, a member of the original smE-MPOWER project consortium (under FP6) has since used the methodology for its own clients across Lithuania, refining the methodology and building an international coaching community<sup>7</sup>.

Over the last years, interest has grown on the smE-MPOWER approach from many European as well as non-European regions, which are looking for novel and proven approaches for innovation coaching services for established SMEs<sup>8</sup>.

<sup>3</sup> [www.platinn.ch](http://www.platinn.ch)

<sup>4</sup> <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/sme-instrument>

<sup>5</sup> [www.jic.cz](http://www.jic.cz)

<sup>6</sup> [www.lic.lt](http://www.lic.lt)

<sup>7</sup> Western Switzerland, South Moravia and Lithuania are Peer-BIT project partners, who brought in their experience with smE-MPOWER.

<sup>8</sup> Upper Austria and Saxony Anhalt represent regions with expressed interest in exploitation of the potential of smE-MPOWER for their SMEs.

## 1. Methodological building blocks

A thorough understanding of the SMEs' business innovation dynamics is a prerequisite for effective collaboration between various players involved in the coaching system (e.g. SMEs, KAMs, Coaches). For this reason, smE-MPOWER promotes three methodological building blocks:

- I. Life Cycle model
- II. Business Innovation model
- III. Subject-Object model.

Each one of them sees business innovation from a different angle. The Life Cycle model focuses on the dynamics of the business, i.e. its evolution over time and how innovation can help the company's growth. The Business Innovation model emphasizes the holistic approach namely the integration of innovation opportunities with the strategic priorities of the company and the need to consider various needs of and resources for innovation. Finally the Subject-Object model centres on innovation process issues and more specifically how the coaching approach becomes more compliant and more tailored in the SME reality.

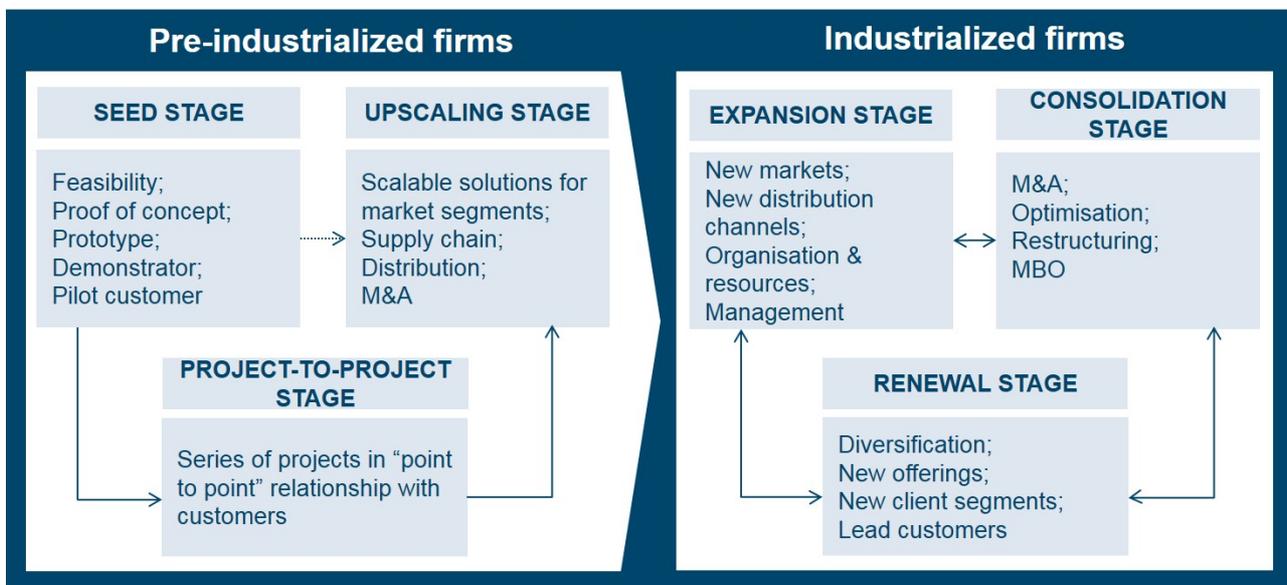
A region (or an implementation agency) should first become familiar with the methodology before establishing the coaching scheme. By familiarising with the methodology, one starts to understand the full complexity of the innovation needs of small companies, a vital condition for a successful coaching scheme to be built.

In the South Moravian case for example, the implementation agency changed its view of innovation from the narrow tech-transfer perspective towards a holistic approach after one year of using smE-MPOWER. This shift allowed JIC to introduce new demand-led services for SMEs (in addition to the coaching service) and move away from initiatives focusing predominantly on tech-transfer.

In Western Switzerland incl. Bern Mittelland and Lithuania, the business innovation approach has become part of the mission and basic philosophy of supporting technological innovation complementing other national initiatives. Meanwhile other agencies have experienced this approach and as a result they are now considering to fully adopt the scheme. For instance BIZ-UP, Upper Austria, has had the chance to experience the approach through the SME Instrument coaching service while Saxony Anhalt, Germany, is considering to adopt the business innovation principle and the wider smE-MPOWER approach as the core philosophy for their intended coaching scheme.

### 1.1 Life Cycle Model

Small and Medium-sized Enterprises undergo fundamental and systemic changes when they move from one stage of their life cycle to another. Based on the interaction with numerous companies over many years, the smE-MPOWER team has developed a life cycle model highlighting the typical business challenges and priorities of each stage. The life cycle model differentiates between two principal contexts (pre-industrialised and industrialized companies) and six stages of development (seed stage, project-to-project, upscaling, expansion, renewal, consolidation).

Figure 3: Life cycle model<sup>9</sup>

In this life cycle model a distinction is made between the "pre-industrialized companies", such as start-ups, post-start-ups, traditional companies with a potential for innovation and growth, and the "industrialized companies" which operate at (relatively) high volume levels of production and sales including potentially mass production and mass-customization. The model includes six stages of development but it is worth emphasising that they are not necessarily sequential; for instance firms can move from the seed stage straight to upscaling without going through the project-to-project stage. The model distinguishes the following six typical stages:

- 1. Seed stage:** In the early seed stage, new ideas are generated, assessed and experienced. Typical examples include spin-offs from research laboratories and Universities. In their pioneer role, they try to test the market for new product concepts, new applications or new business approaches. A frequent strategy for these firms is to crosslink emerging technologies with emerging market needs. The main challenges of seed firms are to attract first customers with convincing results. Firms at this stage need to invest heavily on development such as proving feasibility, developing prototypes and demonstrators, or carrying-out pilot trials such as clinical tests etc.
- 2. Project-to-project stage:** Success in the first stage can lead to business growth and the company moves on to a project-based activity. Although a direct transition to industrialisation is possible, it is also risky and exceptional. This is why most firms follow a 'natural learning' curve by multiplying the number of customized project applications. In this stage, cash flow is insufficient. The firm's performance remains fragile due to limited resources needed both for customer acquisitions and project execution. Nevertheless, their increasing experience with a growing number of customers allows them to sense potential market niches and segments for scalable solutions.

<sup>9</sup> Based on hundreds of companies coached over the last years, the platform of innovation in Western Switzerland platinn applies its lifecycle model with ongoing success in industry.

*“(Company name) is developing road marking retro reflectance measuring equipment for the global market. The project proposal is to (...) complete the development of this equipment from a TRL 7- Demonstration system to TRL 9 – full commercial application, technology available for customers.”*

Micro company, Software & IT

*(Company name) is the culmination of more than twenty years of scientific research, process development, field trials, commercial capacity building, and company formation and investment. These activities have established (company name) as a powerful soil conditioner and long-term nitrogen source, developed a production process suitable for industrialization, and built a company with the necessary technical and business expertise to develop the technology to a scale meaningful for commercial agricultural and horticulture. 2015 is characterized by round B venture financing and start of construction of a pilot facility. There is thus a prerequisite to open up new international markets.*

3. **Upscaling stage:** The next stage towards industrialization is the upscaling stage where market segmentation and product-service architecture are strategic tasks requiring a serious upgrade of the management capability. The firms at this stage will launch product and service developments based on the commitment of strong lead customer(s). Parallel to product/service development, other systems and processes within the firm need to be considerably upgraded such as the production and distribution systems. Typical challenges concern make-or-buy decisions, organisational design and resource development, definition of (new) business models, choice of supply and distribution partners, and financial planning.
4. **Expansion stage:** The successful upscaling effort is very likely to generate good business perspectives in new markets. The expansion to new markets is a promising option, but one involving a series of challenges. The company need to go beyond the recently acquired upscaling capability (economies of scale) and develop the capability to address different market/customer segments with the same product (economies of scope). Entering new markets, developing new distribution channels and scaling up and upgrading the production process are characteristic requirements for the expansion phase. Expansion requires also radical organisational development and adapted managerial structures such as the capability to delegate decisional power to professional managers within the enterprise.
5. **Renewal stage:** The expansion stage reaches its limits and related businesses can start shrinking. Well-thought and well-executed new offerings are needed to replace the old ones and renew the business. However, diversification and replacement of established offerings may be troublesome in long-established organisations and power structures (with their vested interests). Disruptive renewals may be favoured by allying with ‘third parties’ (open innovation paradigm) or by providing space to radical ideas in dedicated “innovation units”. Renewals with more incremental character are generally implemented in-house while the involvement of radical renewals calls for the involvement of lead-customers and technology partners.
6. **Consolidation stage:** Businesses in the mature stage of the life cycle may face decreasing sales, profits, and cash flow. Firms can disappear or be acquired due to market concentration processes. At the heart of a cost-leadership strategy are measures aiming to increase the market share through large economies of scale; cost cutting programmes through drastic increase of productivity; and finally options for dislocating activities to suppliers or low labour cost countries. Only a few companies will have the strength for taking a winning position in the consolidation process. If initiated sufficiently early, smaller market players may move to the renewal stage and cross-finance diversification measures with current cash flow. If none of those two strategies succeeds, decline is inescapable.

## 1.2 Business Innovation Model

Business innovation challenges have typical patterns in different life cycle transitions. Most entrepreneurs do not have experience in this kind of transitions, are not aware of the related challenges, and are not adequately prepared for handling them. The business innovation model offers them a comprehensive, holistic model for analysing implications and challenges along this dynamics.

Along the transition from one life cycle stage to another the company's business innovation system needs to be adapted with regard to its main vectors: offering, process, distribution, customer. A creative change of one or more of these will lead to "business innovation", defined as new value for the customer and the firm<sup>10</sup>. A precondition for initiating and successfully changing these vectors is the availability of resources. Three main categories of resources should be taken into consideration<sup>11</sup>: sources of innovation ideas<sup>12</sup>, internal resources (including aspects such as organization, intellectual property etc.), and partnerships and cooperations<sup>13</sup> (e.g. with pilot customers, clients, suppliers, and research organizations). The business innovation system can be visualized as a holistic tree model<sup>14</sup> in which the four key vectors are represented as the branches and the three resource categories as the roots:

### Business Innovation

Creation of significant added value for the customer and the company through modification of one of the four vectors.

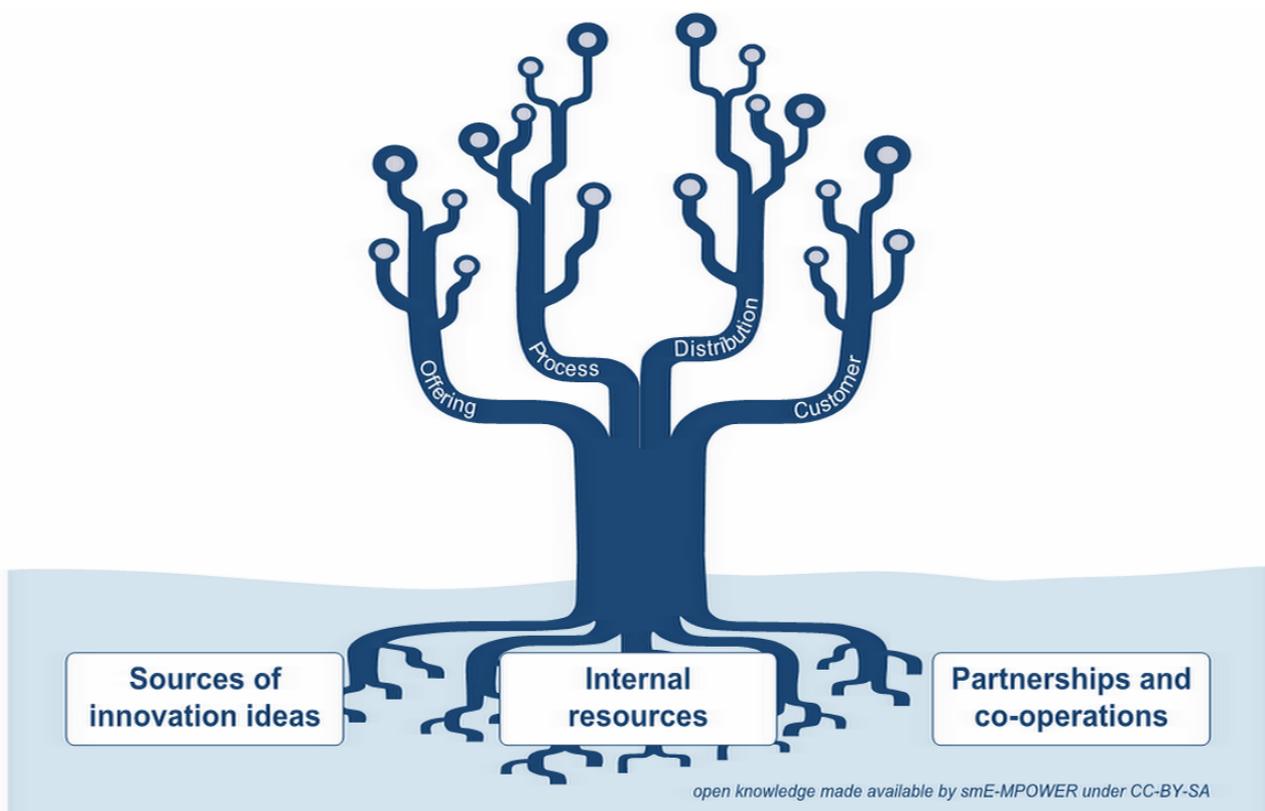


Figure 4: Business innovation tree model

<sup>10</sup> Sawhney M. et al. (2006): The 12 Different Ways for Companies to Innovate, in: MIT Sloan Management Review, vol. 47, pp. 75-81.

<sup>11</sup> Itami, H. (1987): Mobilizing Invisible Assets, Harvard: Harvard University Press.

<sup>12</sup> Existing customers and suppliers, and internal staff account for about 75% of innovation ideas that reach the commercialisation phase. Regional Innovation Strategy of Western Switzerland (2008): Need Analysis Report.

<sup>13</sup> Doz, Y.L. and Hamel, G. (1998): Alliance Advantage. The Art of Creating Value through Partnering, Harvard: Business School Press.

<sup>14</sup> platinn, innovation platform of Western Switzerland ([www.platinn.ch](http://www.platinn.ch))

Innovating on one of the four vectors of business innovation can take very different forms. The most frequent types are listed in table 1.

Business Innovation Vector	Types	Description
<b>Offering</b>	Products & services	Develop innovative new products or services.
	Platform	Use common components or building blocks to create derivative offerings.
	Solutions	Create integrated and customized offerings that solve end-to-end customer problems.
<b>Process</b>	Redesign	Redesign core operating processes to improve efficiency and effectiveness.
	Organisation & resources	Change form, function or activity scope of the firm.
	Supply chain	Think differently about sourcing and fulfilment.
<b>Distribution</b>	New distribution channels	Create new distribution channels or innovative points of presence, including the places where offerings can be bought or used by customers.
	Networking	Create network-centric intelligent and integrated offerings.
	Extension of a brand	Leverage a brand into new domains.
<b>Customer</b>	New customers (segment)	Discover unmet customer needs or identify underserved customer segments.
	Experience (new interface)	Redesign customer interactions across all touch points and all moments of contact.
	Value capture	Redefine how company gets paid or create innovative new revenue streams.

Table 1: The four vectors of business innovation<sup>15</sup>

<sup>15</sup> Sawhney M. et al. (2006)

The three categories of critical resources for SME are the following:

Category	Sub-categories usable for assessment
<b>Sources of business innovation ideas</b>	Internal Distributors Customers Suppliers Education and research Others
<b>Internal resources</b>	Strategy Organisation Qualification Market Innovation process Intellectual property Finances Culture Leadership
<b>Partnerships</b>	Customer Distributor Supplier Manufacturer Education and research Private investor Public support Others

Table 2: The critical resources of business innovation

The listed sub-categories are explained in the following:

<b>Sources of Business Innovation Ideas</b>	
Sub-categories	Description
<b>Internal</b>	Generating, identifying, evaluating and selecting business innovation ideas from company internal staff
<b>Distributors</b>	Generating, identifying, evaluating and selecting business innovation ideas from the distribution network
<b>Customers</b>	Generating, identifying, evaluating and selecting business innovation ideas from challenging customers and end clients
<b>Suppliers</b>	Generating, identifying, evaluating and selecting business innovation ideas from sub-contractors and suppliers.
<b>Education and research</b>	Generating, identifying, evaluating and selecting business innovation ideas from science, research labs, universities, applied universities and other public and private training and
<b>Others</b>	Generating, identifying, evaluating and selecting business innovation ideas from competitors, conferences & exhibitions, newspaper & web, support organisations etc.

Table 3: The sub-categories of sources of business innovation ideas

Internal Resources	
Sub-categories	Description
<b>Strategy</b>	Corporate - long term - resources strategy; Make or buy decisions; Business strategy including definition of USP; Business model; Business architecture; Sales strategy (e.g. exclusivity questions)
<b>Organisation</b>	(Re-)designing the firm's organisation in alignment with the SMEs development along its life cycle; (Re-)designing changing and emerging job profiles; (Re-)designing the firm's strategic, operational and support processes by taking into account regulatories, performance, quality, environmental, efficiency and other objectives; (Re-)design the firm's supply chain; (Re-)design the firm's ICT infrastructure and production automation
<b>Qualification</b>	(Re-)designing emerging and changing competence profiles in alignment with the SMEs development along its life cycle; Planning, hiring and developing human resources; (Re-)designing the SME's incentive system
<b>Market</b>	Identification and valuation of customers and markets; Need & opportunity analysis; Analysis of competing technologies & approaches; Analysis of direct competitors; Analysis of regulatory and other frame conditions; Segmentation & identification of entry markets; Planning and implementation of marketing mix
<b>Innovation process</b>	Improvement of the firm's generation process of business innovation ideas; Evaluation and improvement of the firm's resource availability for innovations; Planning, managing and implementing collaborative approaches for innovation ventures; Co-operation agreements; Analysing and improving the absorptive capacity of the firm for generating, implementing and exploiting business innovation ventures
<b>Intellectual Property</b>	Intellectual Property strategy; Freedom to operate; Patenting, branding, design, trade secrets and other measures to protect; Proprietary and open source strategies
<b>Finances</b>	Business planning; Financial planning; Investment strategy; Preparation for negotiations with investors and banks; Project co-funding
<b>Culture</b>	Beliefs, values, attitudes and ideas of an organisation and the way in which they affect how it does business and how its employees behave
<b>Leadership</b>	Establishing a clear vision; Sharing that vision with others and mobilizing them; Providing information, knowledge and methods to implement that vision; Counter-balancing resistance and passivism; Coordinating and balancing the conflicting interests of all members and stakeholders
<b>Others</b>	Other internal resources such as compliance to standards, regulations etc.

Table 4: The sub-categories of internal resources

Partnerships	
Sub-categories	Description
<b>Customer</b>	Partnerships with lead customer allow the firm to understand the needs of a market segment before the bulk of competitors and other players encounter them. Lead and pilot users should be positioned to benefit significantly from the innovative solution and they should take an active role in the innovation venture. These may be end-users or direct customers, such as OEMs and integrators. Qualified customer involvement in an innovation venture substantially reduces the risk of developing solutions which mismatch with market needs, while at the same time increasing the chances for convincing investors and additional customers
<b>Distributor</b>	Distributor partners are organisations that allow the firm to reach its customer. These intermediaries include merchants, sales agents and brokers. Firms often employ a mix of distribution channels, which should also complement the direct sales-force.
<b>Supplier</b>	Supplier partnerships involve the relationship between the firm and its technology suppliers. This is based on mutual benefit, with the firm purchasing the technology in exchange for the supplier's commitment to customised solutions and continuous improvement and delivery.
<b>Manufacturer</b>	Manufacturer partners include contract manufacturers with specialised facilities that allow the firm to outsource manufacture of their product.
<b>Education and research</b>	Scientific, research and development partners from labs, universities and other higher education schools. They may play a direct role in innovation ventures and / or they may become member of an advisory board.
<b>Private Investor</b>	Private investor partners including Angels, VCs, corporate investors and others.
<b>Public support</b>	Public sector support partners providing resources such as additional business coaching or financial, commercial, human resource support (e.g. foreign workforce, regulations, lobbying)
<b>Others</b>	Any other entities which have some form of alliance with the firm, such as a vendor with a complimentary offering, external HR partners, licensees, etc.

Table 5: The sub-categories of partnerships

It is the responsibility of the (regional) Key Account Managers (KAM) to contextualize an SME on the life cycle model and to depict the current as well as the aspired stage. Coaching should then facilitate this 'transition' by relying on the business innovation tree model in order to analyse the strategic challenges of the SME in a holistic way.

### 1.3 Object-Subject Model

More often than not, SMEs have neither a formally designed innovation process nor a dedicated innovation team. Innovations are usually managed on a project-basis. Innovation projects are initiated by a "champion" (usually the SME founder) but they should be in constant interaction with the rest of the company. Understanding this mechanism and its challenges such as the difficulty of SMEs to recruit resources out of operational business for innovation projects, the fostering the company's absorptive capacity, or the repercussions of a successful innovation project on the organisational structure, are of very high relevance when supporting business innovation in SMEs.

The CEN/TS 16555-1 standard for Innovation management distinguishes here between "specific innovation projects" and "general innovation management"<sup>16</sup>. Likewise, the Organisation for Economic Cooperation and Development (OECD), in the famous Oslo Manual, refers to the so-called "object" and "subject" approaches in innovation<sup>17</sup>.

The two approaches are distinct analytical categories, as a result they should be addressed separately in an SME. The "object approach" focuses on a specific business innovation venture, e.g. the development of a new product while the "subject approach", refers to the organization, either the whole company or a part of it (e.g. a department). Innovation projects, such as the ones supported by the SME Instrument of Horizon 2020, are typically related to an "object" approach. This object view reflects the way most SMEs are innovating. For instance established SMEs identify business innovation opportunities through their strong customer relationships and they develop solutions closely with pilot or lead customers, adapting dynamically their organizational layout ("subject") in accordance to the requirements of the progress of the project ("object").

This interaction between innovation object and subject explains the innovation strength of SMEs like their well-known high adaptability. Because innovation in SMEs is happening in "object-dominated" processes, SMEs learn fast and are able to develop effectively their strategic resources for the future. In other words, the object-based activities are very important for both the development of new innovative solutions as well as the SME's long-term capacity building.

*"We are absolutely content both with the coaching which has fully met our expectations and with (name of coach). Coaching objectives are utterly achieved. Due to this good experiences we would like to establish a long-term partnership with (name of coach)."*

Small company, Automotive

<sup>16</sup> CEN (2013): Technical specification CEN/TS 16555-1: Innovation Management - Part 1: Innovation Management System, pages 10, 17.

<sup>17</sup> OECD (2005): The Measurement of Scientific and Technological Activities Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data, 3rd Edition, OECD.

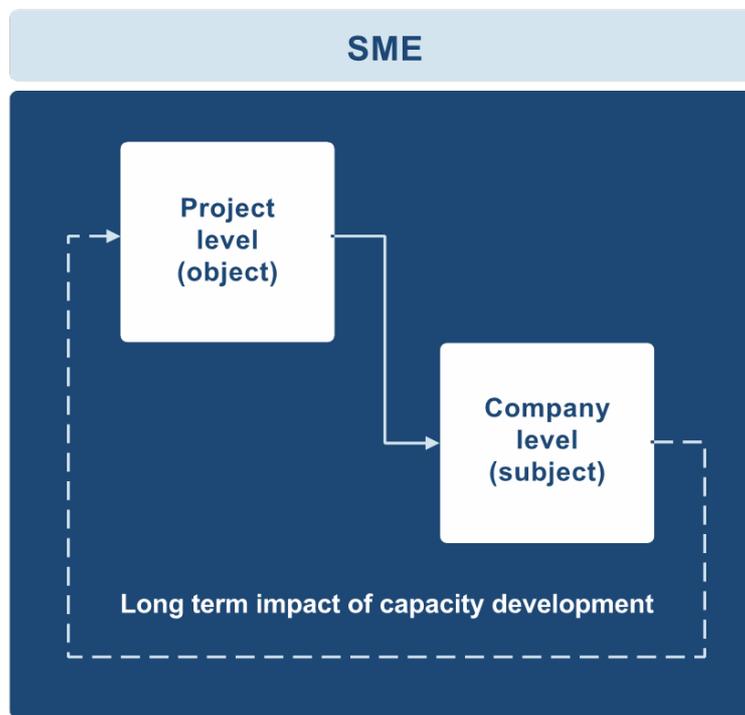


Figure 5: The "object approach" of the innovation process in SMEs

Compared to the "object" approach, where the starting point is an innovation venture, the **"subject" approach focuses primarily on critical resources** for the innovation performance of the SME. The expectation is that an improvement of the company innovation management processes will lead to improvements of the SME's innovation (and of course the economic) performance. Turning the analytical scope on challenges related to the development and exploitation of opportunities for growth within an SME will substantially increase the strategic interest and commitment of its management. While the "subject" approach should refer to the wider context of the SME, it should also be linked to its innovation "objects". Time-consuming assessments and long reports are not likely to serve this purpose. SMEs are better served by smaller sequences of support such as assistance to identify innovation opportunities, choose and prioritise innovation actions, design and implement relevant projects and finally preparing commercialization strategies etc. First success will increase the willingness for taking-up more challenges and – normally – more complex tasks. This is the way a SME can move fast on its development path.

## 2. Key account manager (KAM)

The KAMs are supported by the smE-MPOWER system in the most critical tasks:

**Facilitating the Needs Analysis** – The Life Cycle model provides a very good basis for a discussion between the KAM and the SME for deciding the next stage of the business development and the innovation activities required to enable this 'journey'. The business innovation tree model then serves as a frame for a semi-structured discussion between KAM and the SME senior manager(s), aiming at the identification of requirements for coaching as well as other services on offer. At this stage, the discussion should be very comprehensive covering the four business innovation vectors, the sources of business innovation ideas, the internal resources and partnerships. Each of these areas should be analysed by getting the SME senior manager(s) to provide an evaluation of:

- the level of importance for the targeted life cycle stage and
- the SME's preparation level or strength of capabilities in this area.

Using these evaluations, the analysed areas can be positioned in a four quadrants matrix (see figure below). Business innovation challenges are typically areas that are of high importance to the company and where it is currently lacking in capabilities (the upper left quadrant of the figure) and coaching interventions should be focused on supporting these challenges<sup>18</sup>.

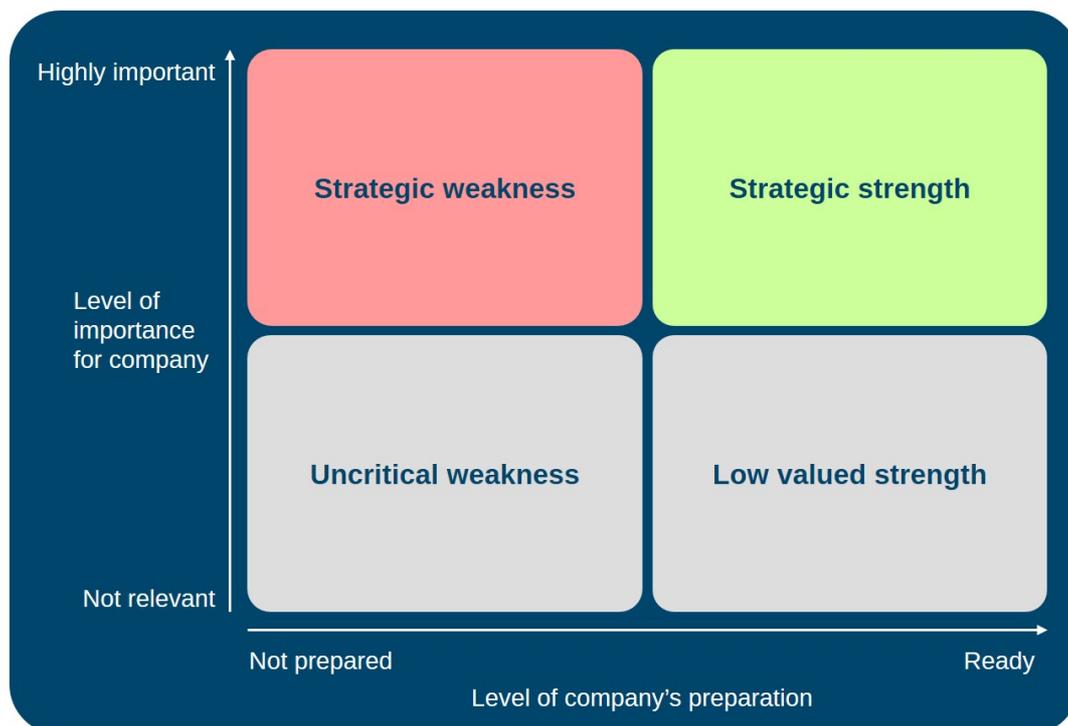


Figure 6: Business innovation assessment methodology

<sup>18</sup> Based on Ulwick, A.W.: Turn customer Input into Innovation, in: Harvard Business Review, Jan. 2002, 5-11.

The KAM guides the company's management team through a process of self-reflection (and assessment) with regards to the elements of the business innovation system. Reflecting upon and assessing each and every element of the business innovation system is essential since it secures a comprehensive view on the company's development challenges. Several entrepreneurs suffer from an unbalanced or biased perception on the company's business innovation system – typical examples are the neglect of the market side while overemphasizing product and technology found often in technology-based entrepreneurs or the disregard of opportunities provided by new technologies found regularly in market-focused or more traditional SMEs. The holistic analysis followed by the smE-MPOWER approach provides the foundations for an solid action plan fully aligned with the business strategic challenges and priorities.

**Establishing the Business Innovation Roadmap** - The results of the needs analysis should then be converted into a coherent action plan. There is no methodology or golden rule on how to generate an action plan out of the assessment results. However, in most cases the required actions become quite evident during the discussion between the KAM and the company management team. KAM helps the company to identify the critical actions for strategic development, focusing on areas identified as “strategic weakness” in the needs analysis. In particular the identified strategic weaknesses should be articulated into a portfolio of key measures, which may be implemented as separate actions or grouped into a number of projects. In order to generate a business innovation roadmap, the sequence of these measures should be defined, and determined whether they can be implemented by the company itself or whether any external support is needed; in which case dedicated specialists (e.g. scientific partners, IP lawyers, coaches etc.) may be identified. The resulting “roadmap” provides a solid framework for selecting the coach and for initiating SME-internal actions, partnerships and other external support.

**Selecting the right Coach** - When it comes to coaching, access to appropriate business innovation coaches is a must. This element might be seen as one of the most complicated to achieve. There are a variety of SMEs' needs (functional, sectoral, geographical etc.) that the coaches should be able to address; as a result a diversified range of coaches should be available. The CoachMatch platform supports KAMs during the identification process of appropriate coaches. The generation of a short list of three coaches is recommended, which can then be evaluated by the SME which makes the final choice.

*"The KAM and the coach have made a fantastic work for us. She has helped us to understand the coach's role in phase 2, and also helped us to identify the right person. (Name of the coach) has done a great job coaching us in strategy, business, and financials."*

Small company, Automotive

### 3. Business innovation Coach

Business innovation coaching is an emerging 'metier'. The business innovation coaching mission is to empower SMEs to deal with innovation challenges towards an effective growth trajectory. This goes hand in hand with the reinforcement of the company's innovation capabilities in line with the changing requirements in the different life cycle stages. This includes aspects such as strategy, organization, management, financing, resource development etc. The smE-MPOWER approach lies on two critical philosophical cornerstones: coaching that is demand driven and SME adapted!

**Demand driven** - The coaching scheme should be demand driven by identifying and addressing the business innovation bottlenecks of the SME. KAM is in charge of the organization of the coaching activity and also responsible for the SME's needs analysis. The KAM sets the coaching context (definition of the company's critical development path within the life cycle model) and the coaching priorities (as an amalgamation of related challenges and coaching needs). Both KAMs and the proposed coaches should make sure that the coach's competence profile fits these requirements. The coach should also look to the consistency of choices and decisions made by the SME's management team. As an example, focusing on a technical demonstrator without getting the target market segment(s) actively addressed may be a fast track for technical objectives, but it will not help to lower the entry barriers to potential customers. Since businesses operate under dynamic and volatile conditions, all choices come with the risk of unpredictable future developments or even a negative impact on other business areas (e.g. taking resources away from other business areas needed attention). Demand driven should not make the coach oblivious to potential shortcomings or deficiencies of the company. For instance insufficient absorptive capacity of the firm is known as a major risk factor to successful exploitation. The interaction between the innovation project level ("object") and the business level ("subject") is another critical concern in the business innovation process. The coach's aim is not only to help the company to deal with identified problems, but also to encourage a 'system view', making sure that the SME includes this more complex reasoning in its decision making process.

**SME adapted** - SMEs are generally managed by people who prefer making their own decisions, based on rational arguments and a clear logic. This helps explain the aversion of small business entrepreneurs to consultancy or mentoring practices which 'push' external solutions onto the company. A key aspect of coaching is to make clear to the SME the reasoning frame for decision-making. A first element is to understand the context of the SME (position in the business life cycle, business context, innovation needs etc.). Only on this basis, a constructive dialogue between the SME management and coach can be initiated. During this process, the coach ideally brings in explicit knowhow for problem solving, tailored specifically to the client needs. This know-how could include methodologies, tools, models and examples. The more this know-how is assimilated by the SME (learning impact), the higher the chance that the company will take action following the intervention and apply this newly found knowledge, if similar challenges arise in the future. This symbiotic relationship between solving and learning is a key success factor for coaching and it is able to create a lasting impact on the business.

*"(Coach name) has helped a lot, in business strategy, in how to focus the enterprise and how to organise the future of the company. We are very glad with him."*

Small company, Renewable Energy

The coaching process may be understood as an iterative approach following some generic steps:

- **Understand** the context and the challenges of the SME, and articulate it in a visual and clear framework. The SME needs to be assured that the coach is "in his/her shoes" and not vice versa. Identify the cornerstones of the innovation venture, assure that related assumptions (e.g. freedom to operate) are not infringed and set logical priorities for the joint working plan.
- **Generate** solving options in interaction with the management. Make reasoning explicit by using modelling techniques, methodologies, tools and examples. Go back to the first step if it turns out that the company's context is not as clear as it should be.
- **Evaluate** the generated options by ensuring consistency with the overall business system (project and company) and by taking into account the stage of the business lifetime and the planned pathway for the business evolution over time (e.g. direct sales may be appropriate for moving from seed stage to the project-to-project but perhaps not for moving from upscaling stage to expansion). The choices must be made by the SME's management on a rational and transparent basis. Go back to the first two steps (understand and generate), if needed. Otherwise start preparing the implementation plan including the definition of potential benefits and the assessment of potential risks.
- **Implement** the selected actions by providing appropriate support to the company management in forms of contacts (e.g. with business partners, universities etc.), handover of methods and tools, and by sharing personal experience. Manage the implementation process by setting clear milestones. If new evidence arises during the implementation process shedding doubt on the chosen options, the coaching process can go back to earlier stages (understand, generate or evaluate).
- **Capture the full value** of the executed actions and assess related risks. Check together with the management if the results are compelling. Move on to a new coaching cycle by initiating again step 1 (understand). If the result is too critical for the company (e.g. IP issues, management capability, negative market evidence) or if the coaching process is completed, formally close the coaching process. Although coaching should always be demand driven and SME adapted, it is recommendable to organize the coaching support around groups of recurrent needs.

Although coaching should always be demand driven and SME adapted, it is recommendable to organize the coaching support around groups of recurrent needs. In practice, a standard portfolio of three services has been shaped up for business innovation coaching over the years: Business development, Organization, and Cooperation<sup>19</sup>.

**Business development:** Business development coaching aims to augment the value of an SME, capitalizing on customers, markets, and business relationships. It concerns the identification, analysis and evaluation of potential business opportunities, the definition of business segments and the development of an effective marketing mix, including the monitoring of its implementation. The ultimate goal is the integration of the expertise from different functions, such as R&D, production, marketing and sales, into a consistent growth plan for the SME. Utilizing a “learning by doing” approach, the SME is expected to recognize and overcome critical stumbling blocks on the way to market penetration and growth.

**Organisation:** The organizational development coaching aims to mobilize the tangible and intangible resources of the SME to ensure the efficiency and performance of the company organization. This shall be in line with the market and the critical transitions of a business innovation venture over the firm’s life cycle stages. The ultimate goal is to create the organizational conditions to underpin the development of innovation ventures, safeguard the economic sustainability of the company and protect its competitive advantage.

**Cooperation:** The mission of cooperation coaching is to support SMEs in planning and implementing innovation partnerships and project consortia and to assure that the SME benefits strategically from them. Strategic benefit means that the partnerships, the projects and their results become major contributions into the firm’s innovation ventures. A publicly co-financed research and innovation project – for example within the scope of the H2020 SME instrument – is an opportunity to move ahead faster and with more resources on the development path<sup>20</sup>.

For each one of the three coaching services, the smE-MPOWER package offers a job description, a reference coaching processes and a set of coaching support materials. However, it must be emphasised that coaching should not be perceived as a linear process following a rigid procedure. For instance, platinn makes a reference to a modular coaching system, which is flexible and highly adaptable and which favours interventions of complementary coaching expertise.

<sup>19</sup> In Western Switzerland, four types of coaching services are offered to SMEs: Business development, Organization, Cooperation and Finance. In South Moravia, less diversified segmentation is applied, i. e. Business (encompassing Business development, Organization and Finance coaching) and Cooperation.

<sup>20</sup> More in-depth description of the typical coaching activities can be found in the smE-MPOWER knowledge library together with a series of support tools dedicated to these key tasks. To access the library, please, contact [smE-MPOWER](#).

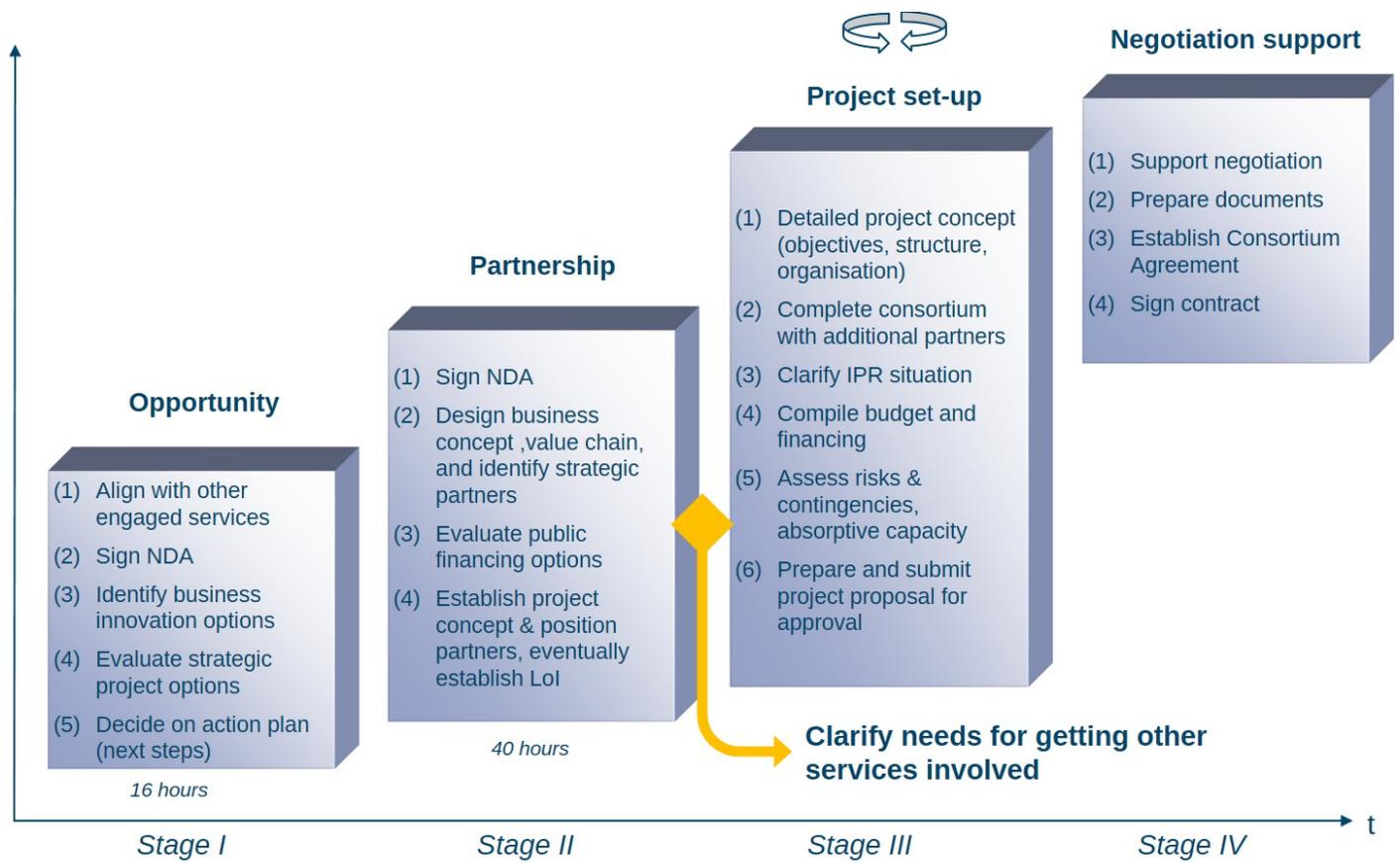


Figure7: Example of the reference process «Cooperation» (platinn, 2016)

#### 4. Knowledge library

Business innovation coaching is a knowledge intensive job supporting the SME to make strategic decisions, solve its problems and build its innovation capability. One of the coach's core competence is the ability to apply knowledge 'on the spot' in order to address the needs of the company. To carry out such a demanding job, coaches should be equipped with explicit knowledge in the form of practical methods and tools as a resource with high potential. In fact such an explicit knowledge is of great value for both coaches and KAMs.

The smE-MPOWER knowledge library offers a set of proven coaching tools as a first input to the peer community and includes among others the following coaching methods and tools:

Coaching tool	Description
<b>Business innovation roadmap tool</b>	The BI-Roadmap Tool helps company managers to generate a holistic and systemic picture of their business innovation system and to develop an elaborate strategic master plan for implementation of measures.
<b>Business innovation opportunity tool</b>	The BI-Opportunity Tool helps the SME to identify opportunities for business innovation and strategic partnering.
<b>Business innovation segmentation tool</b>	The BI-Segmentation Tool supports strategic business choices by providing a clear picture of the company's market segments and the future turnover expectations.
<b>Project risk tool</b>	The Project-Risk Tool helps to anticipate possible risks in an innovation venture and to prepare contingency plans, both to avoid and to handle risks.
<b>Project absorption tool</b>	The Project-Absorption Tool helps to anticipate and assess risks related to the lack of "absorptive capacity" in a company vis-a-vis the necessary changes associated with a foreseen business innovation measure.
<b>The company life-cycle</b>	The differentiation of six corporate life cycle stages is a foundational methodology underlying the SME practice of business innovation coaching.
<b>Business innovation customer needs tool</b>	The BI-Customer Needs Tool supports the identification and prioritization of product / service features valued highly by the customer and not yet sufficiently serviced by other offerings on the market.
<b>Business strategy</b>	The concept of dynamic business strategy and strategic stretch based on the work by Itamy provides a basic framework for strategic reasoning in turbulent
<b>Business architecture</b>	The Business architecture approach offers a concise visualisation of a company's business strategy and combines the market perspective with the resource
<b>Macro design</b>	The Macro design approach offers a novel way of translating strategic reasoning into an adaptive and resource-based organisation.

Table 6: Extract of the smE-MPOWER toolbox available on the KnowledgePortal

The smE-MPOWER team has consistently encouraged coaches to share the coaching tips, the methods and the tools that have been proven successful in coaching SMEs as an active contribution to the development of an open knowledge community. There are three aspects for how knowledge is shared and managed in the coaching community:

- Wherever possible, the knowledge is made available under a Creative Commons Attribution-Share Alike 3.0 Unported license<sup>21</sup> ("made available by smE-MPOWER under CC-BY-SA"). This enables free commercial use and modification by SMEs, coaches and KAMs under the conditions of keeping it free and naming the source. Third party knowledge may be brought in under different regimes, e.g. proprietary, provided that it is available free of charge to the community.
- All coaching tools and methods are validated with respect to their SME friendliness. This means they are highly visualized, highly participative, and focused on what is important for SMEs, following the 20/80 Pareto principle.
- All knowledge in the network is managed through a central knowledge management function assuring quality of knowledge and securing knowledge dissemination.

*“Running a highly complex healthcare/life sciences project focused on commercialising a diagnostics product requires a wide range of highly specialised and rare skills. (Name of company) had a number of key areas where we were lacking understanding and experience - notably in market access strategy (e.g. reimbursement and regulatory). Coaching helped us approach this challenge and identify the right strategy for market access and ultimately how (name of company) will get paid once our first product is launched on the market.”*

Micro company, Biomedical and Medical

<sup>21</sup> <https://creativecommons.org/licenses/by-sa/3.0/deed.en>

## 5. Web-based platforms

Three modular Web-based platforms constitute the backbone of coaching collaboration. Technically, they are developed on open source products<sup>22</sup>. The platforms rely on the use of an XML technologies that exhibit two great advantages in relation to information handling:

- **Reuse of data and variability of information:** This issue is addressed by providing web-based XML authoring facilities that allow the users to feed the platform with structured content – irrespectively to the nature of information: data, document, FAQ, Forum – all become reusable in many purposes.
- **Agility and adaptability to changing requirements:** This issue is addressed by using an open source framework to develop XML-based web applications. It relies on a classical Model-View-Controller approach that guarantees a rapid and cost effective adaptation and modification of needs.

The development of the platforms took place through a strong interaction between communities of practitioners (programme managers, KAMs, coaches etc.) and the software development team. The result is a user-driven and highly operational solution. All three WEB platforms are based on a common classification system (e.g. Thomson Reuters for market classification) and rooted in the fundamental methodologies outlined previously in this document. These elements facilitate communication and simplify collaboration between the different stakeholders of the coaching system.

The following sections ‘walk through’ typical stages of a coaching process and depicts examples of support from the Web-based platform.

### 1. Analyzing the needs

Getting in contact with an SME, understanding its context and analyzing its business innovation challenges, are all tasks of the Key Account Manager (KAM). KAM should stand for neutrality, be trustworthy and approachable and rely on a need centred approach by assuring a comprehensive understanding of business innovation in the SME. There are several methods on the market supporting the needs analysis task. As one option, smE-MPOWER offers the Excel based "Business Innovation Roadmap Tool". Its main outcomes are the list of challenges related to the SME's business innovation system and the innovation roadmap, which depicts the sequence of actions and the way they shall be supported externally, see figure 8.

*"The analytical framework used by (KAM name) and her colleagues to identify business needs was very helpful. The choice of (name of coach) as a coach to enhance our performance management capability was a good one. Overall positive coaching experience in supporting business growth and delivery of the innovation project."*

Micro company, Healthcare Equipment

<sup>22</sup> AXEL – Adaptable XML Editing Library; OPPIDUM - an XML-XQuery framework for the development of XML web-based application; Exist-DB - a native XML database.

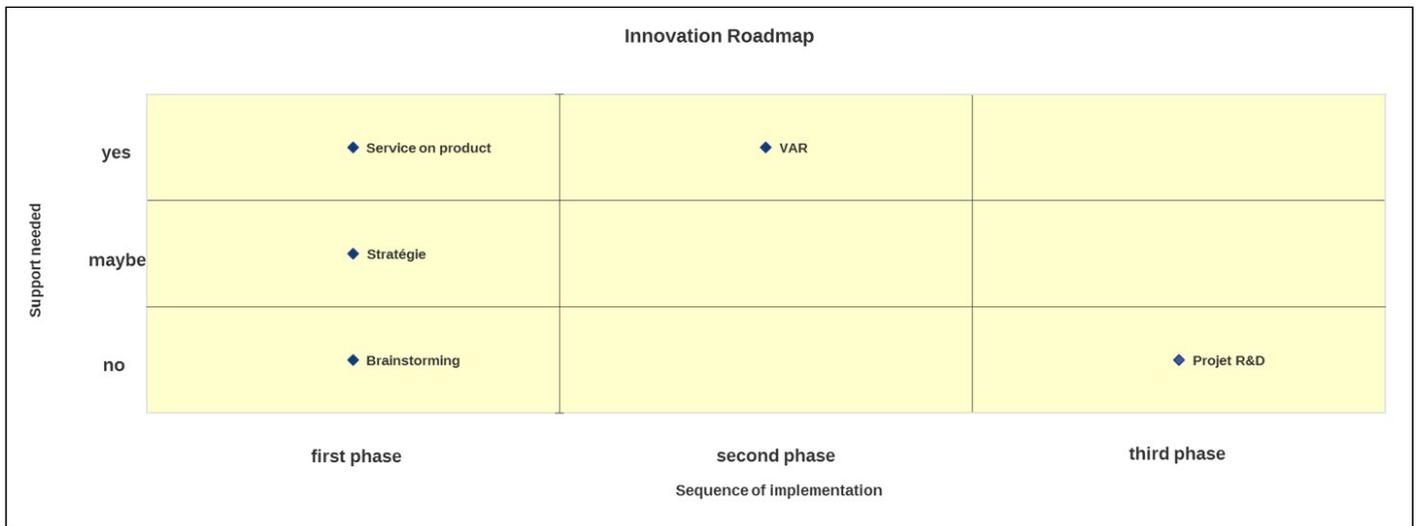


Figure 8: Example of a business innovation roadmap

The KAM then posts the SME profile on the CaseTracker. This includes information for statistical reasons, the life cycle context and the list of business innovation challenges.

**Business innovation challenges** ?

**Business innovation vectors** ?

- Offering
- Process
- Distribution**
- Customer

**Sources of business innovation ideas**

- Internal
- Distributors**
- Customers
- Suppliers**
- Education and research**
- Others

**Internal Resources**

- Strategy**
- Organisation
- Qualification
- Market
- Innovation process
- Intellectual property
- Finances
- Culture
- Leadership

**Partnerships**

- Customer
- Distributor**
- Supplier**
- Manufacturer
- Education and research
- Private investor**
- Public support
- Others

Figure 9: Example of business innovation challenges

### Negativ impact of wrong coach selection:

*“Company (name of company) wanted to gain coaching in field of Standardization, which was not available since there was no appropriate person for the activity. We decided to choose a coach in field of international marketing... Unfortunately his personal approach was not suitable (low professional standards). Besides that, we did not manage to complete all our activities which are of utmost importance for our company (for instance: Swiss market entrance). We expected a more personal approach to the project and not just from home office. We will use coaching services in the future because it can be useful but we will approach it differently.”*

Micro company, Construction & Engineering

## 2. Identifying appropriate coaches

A next task of a KAM is to help the SME to select the right coach(es). In reality, dedicated coaches may be required for different types of innovation challenges. For searching the right coach profile, the CaseTracker activates the CoachMatch platform. This CoachMatch platform tries to match the list of identified challenges with the profiles of the coaches. There are several options to search coaches. A regional scheme may generally use their own coaches. However, it may be beneficial for the SME to have access to other coaches for very specific requirements, e.g. a coach with market knowledge of the German automotive market in case that the company aims to sell to this market. The CoachMatch supports also the synergy with the European pool of coaches. The following example is an extract of a coach search list within the SME Instrument run by EASME. The competence fit shows the proximity of the coach's competencies to the particular business innovation challenges identified by the KAM while the SME context fit shows the extent of the coach experience in the specific business environment (or market) of the SME.

Search by fit

Search by criteria

Handout list

### Results list

Ranking of 764 coach profiles by competence fit (first) and SME Context fit (second). You can sort by clicking on the first three headers and you can filter by language and country.

List of coaches	Competence fit ▼	SME context fit	Performance	Languages	Country	Action
Coach AB	85 %	60 %	79 % (2)	English, Finnish		Evaluate
Coach FG	75 %	85 %		English, French	France	Evaluate
Coach PAD	72 %	70 %	74 % (3 of 6)	English, Spanish	Spain	Evaluate
Coach SV	72 %	70 %	90 % (2 of 3)	English, Swedish	Sweden	Evaluate
Coach XY	72 %	45 %		Romanian	Romania	Evaluate

Figure 10: Example CoachMatch results

The suggested coach profiles can then be further evaluated against the SME's expectations. The KAM establishes a short list of appropriate coaches who serve as a basis for the final selection by the SME.

Support organisations not using the CaseTracker can directly open a host account on CoachMatch, organise the profile updating of their coaches, and use the system for coach search and the management of the selection process.

### 3. Managing the coaching workflow

Each coaching activity goes through a workflow system. This starts with the preparation stage (where the focus of the coaching plan is considered and there may be an internal consultation stage before a request for coaching is decided and financed), then it enters the implementation stage (coach contracting, the generation and approval of a Coaching report), before reaching the final strages of evaluation and closing. This workflow process may be customized to each host.



Figure 11: Example of SME Instrument workflow

This standardised workflow assures transparency of the coaching scheme, control of allocation of subsidies, management of major risks (e.g. the declaration of no conflict of interest), and most critically evaluations from all players involved in the process, namely KAMs, coaches and SMES. Although it is a comprehensive workflow process, it is also lean and constrained to the absolute minimum amount of information required to avoid "bureaucratic fatigue".

### Declaration of no conflict of interest

Are you an evaluator for the SME instrument projects ?

Do you have any personal affiliation with the company ?

Do you have any financial interest into the company ?

Do you have any professional conflict of interest with the company ?

Figure 12: Extract from the CaseTracker workflow system: Declaration of no interest

The integrated evaluation methodology consists of 15 questions addressed to the KAM, the coach(es) and the SME. The responses to these questions provide input for the Key Performance Indicators (KPIs) in the CaseTracker system.

### SME Evaluation

Mister XY helped us to identify relevant business needs

Strongly disagree
  Disagree
  Neutral
  Agree
  Strongly agree

---

The needs analysis performed together with Mister XY lead our company to take internal actions

Strongly disagree
  Disagree
  Neutral
  Agree
  Strongly agree

---

I was well informed about coaches to be able to choose the appropriate one

Strongly disagree
  Disagree
  Neutral
  Agree
  Strongly agree

---

Thanks to Coach XY, we changed the way to approach our challenges

Strongly disagree
  Disagree
  Neutral
  Agree
  Strongly agree

---

Thanks to Coach XY, we expect our business innovation project to progress faster

Strongly disagree
  Disagree
  Neutral
  Agree
  Strongly agree

---

Thanks to Coach XY, our business strategy improved

Strongly disagree
  Disagree
  Neutral
  Agree
  Strongly agree

---

I would recommend business innovation coaching to other companies

Strongly disagree
  Disagree
  Neutral
  Agree
  Strongly agree

---

Describe your experiences

We are really satisfied with the work done by our coacher Alexandru Capatina. We will meet him next October 5TH in Bucharest with potential representative for our products.

Figure 13: Example of SME evaluations (names changed)

#### 4. Coaching SMEs

The KnowledgePortal provides instant access to all the knowledge base underpinning the coaching system such as the definitions of recurrent coaching services (e.g. business development), an explanation of the fundamental methodologies and guidelines for their implementation etc. The KnowledgePortal also offers the coaches support of strategic value through the on-line access of the portfolio of coaching tools and methods developed by the smE-MPOWER.

The KnowledgePortal allows coaches to search support materials in different ways – for instance via a specific coaching process, via direct search, via business innovation topics, via vertical markets, or via life cycle stages. The support material contains the smE-MPOWER toolbox, which will continue to be enlarged and enriched by the existing ‘hosts’ of coaching programmes (e.g. the SME Instrument, platinn and JIC).

Based on the “open knowledge” approach (see above the Creative Commons licence) the coach can hand over relevant tools to the SME, which has the permission to freely modify and use them for the company’s own purposes. In this way, the company gets empowered to respond to similar future innovation challenges, avoiding to create dependency on the coach.

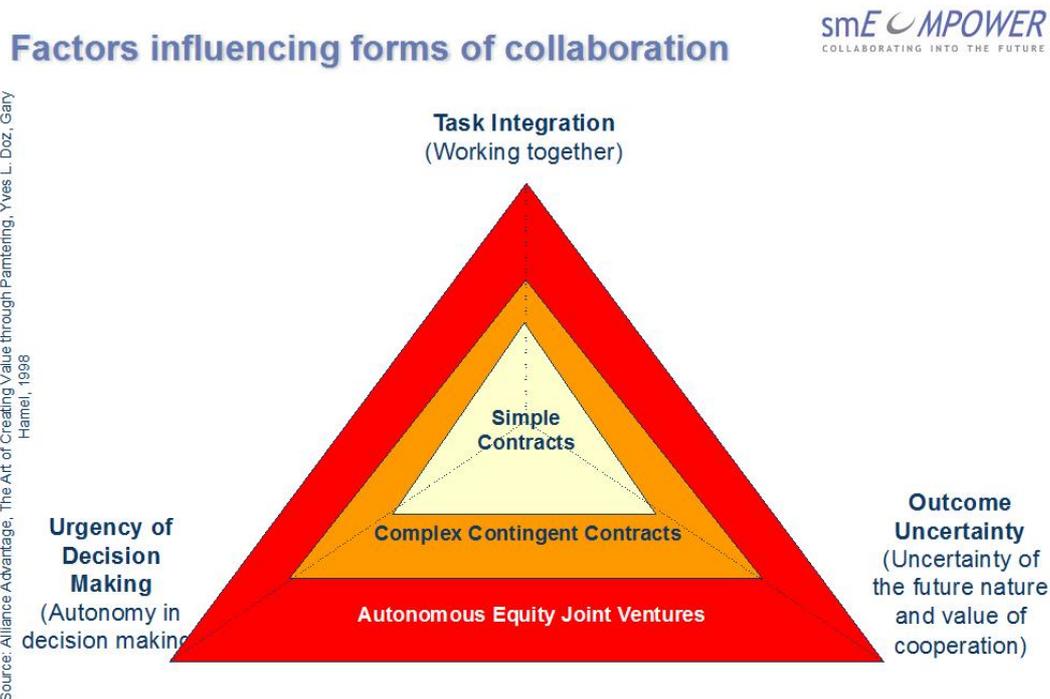


Figure 14: Coaching tool supporting the choice of a legal frame in cooperation

## 5. Improving the coaching system by using Key Performance Indicators

Performance measurement is a prerequisite for continuous improvement of the overall system and its constituents as well as for trust building with public authorities. The Key Performance Indicator (KPI) system is designed for these two purposes. It is built on four clusters of KPIs, which act as reliable proxies of the performance achieved in the four critical steps of the coaching process (see figure below). KPIs are calculated on a set of ratings provided by the involved SMEs, KAMs or coaches on a scale between 1 (minimum) and 5 (maximum), according to the degree their experience from the particular coaching case agrees with the provided statement. The questions are integrated in the CaseTracker workflow process.

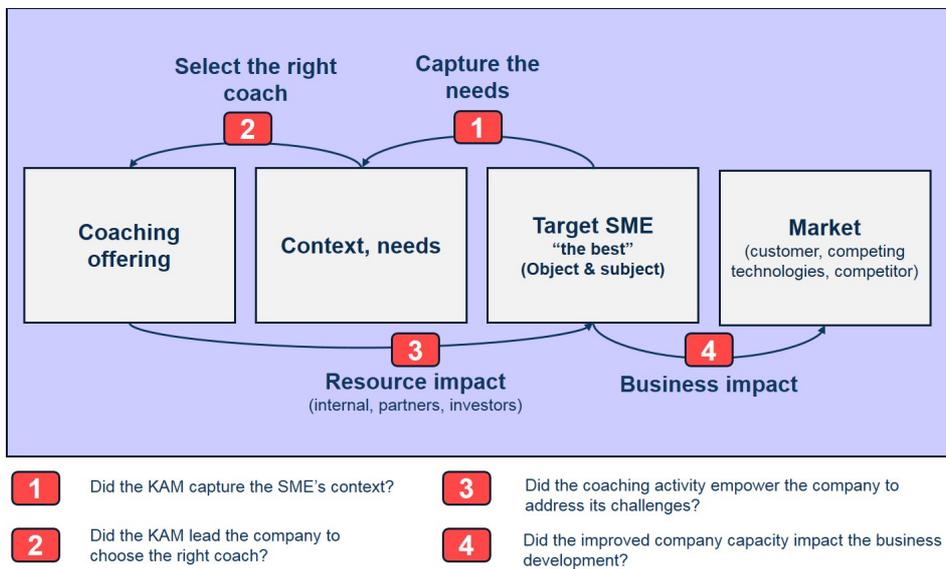


Figure 15: Key Performance Indicator system

The CaseTracker KPI Cockpit permits the generation of reliable and highly flexible KPI statistics. This becomes possible as the result of multi-criteria selection menu. An example of a statistics is given in the figure below that compares the coaching scheme performance between younger and older companies, which target the upscaling stage in their life cycle.

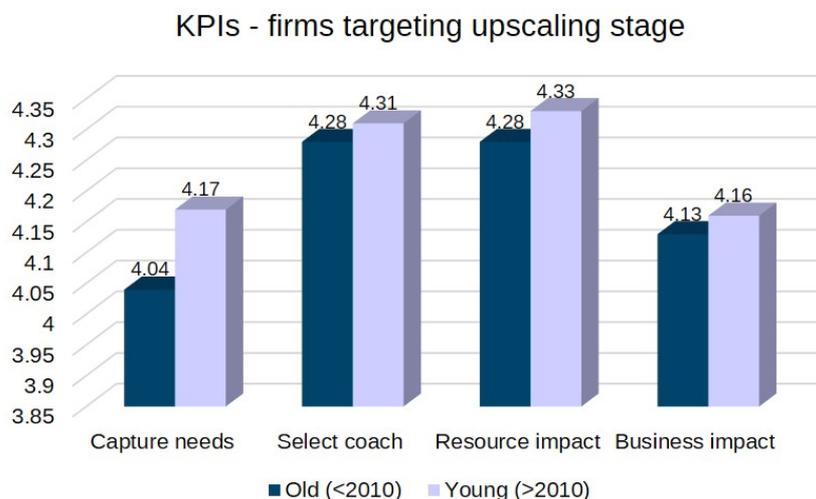


Figure 16: Example of KPI analysis

This real example shows a relatively high performance level. However, two relative weaknesses are worthy of being further analysed:

- The general performance level is lower in older than in younger companies
- The two steps "Capture needs" (carried out by the KAM) and "Business impact" (related to the coach) show relatively lower performance, at least when compared to the other steps.

In situations like this, the detailed analysis of KPI cockpit allows to isolate and understand the roots of the weakness in the coaching programme – capture needs and business impact in the particular example. As a result the programme can initiate a number of corrective actions to address the underlying problems. For instance in the shown example, the programme manager can move to a more focused search and a more thorough selection of well performing KAMs or coaches and/or initiate some community activities where less performing KAMs or coaches can learn from their more successful peers. Finally the KPIs provide input for the regular KAM and coach evaluation.

## 6. Reporting to authorities

Publicly financed innovation support instruments (whether they are partly or fully financed) have a duty of transparency and elaborate reporting, out of respect to taxpayers money used towards the scheme. The statistical module of the CaseTracker provides statistical evidence on a range of questions, such as:

- Which category of firms was reached by the initiative? By size, location, age, industry sectors, target markets, life cycle stages?
- What are the challenges and innovation needs of these firms?
- How were these needs addressed by the initiative?
- What is the impact?

The CaseTracker reporting system provides statistics as well as lists of specific SME beneficiaries related to such questions. This enhanced traceability encourages the building of trust between the programme execution agency and the public authority, while it generates a map of the needs and shortages of the regional business innovation system.

*"I have been supported by (name of KAM) to understand our needs and he submitted me few possible coaches. After a very careful analysis of the curricula we decided together to have an interview with (name of the coach). Both of us found him very motivated and keen to work with us with the target to find out our weakness and to support us in finding interesting possibilities on the market. My opinion on this coaching experience is very positive."*

Micro company, Professional & Commercial Services

An example of such a map is presented in figure below. It shows the challenge pattern of Swiss SMEs in different life cycle stages related to the four business innovation vectors. Decreasing, but dominant is the challenge related to the offering for pre-industrialized firms. In contrast, increasing and even dominant became process related challenges on the transition to the consolidation stage.

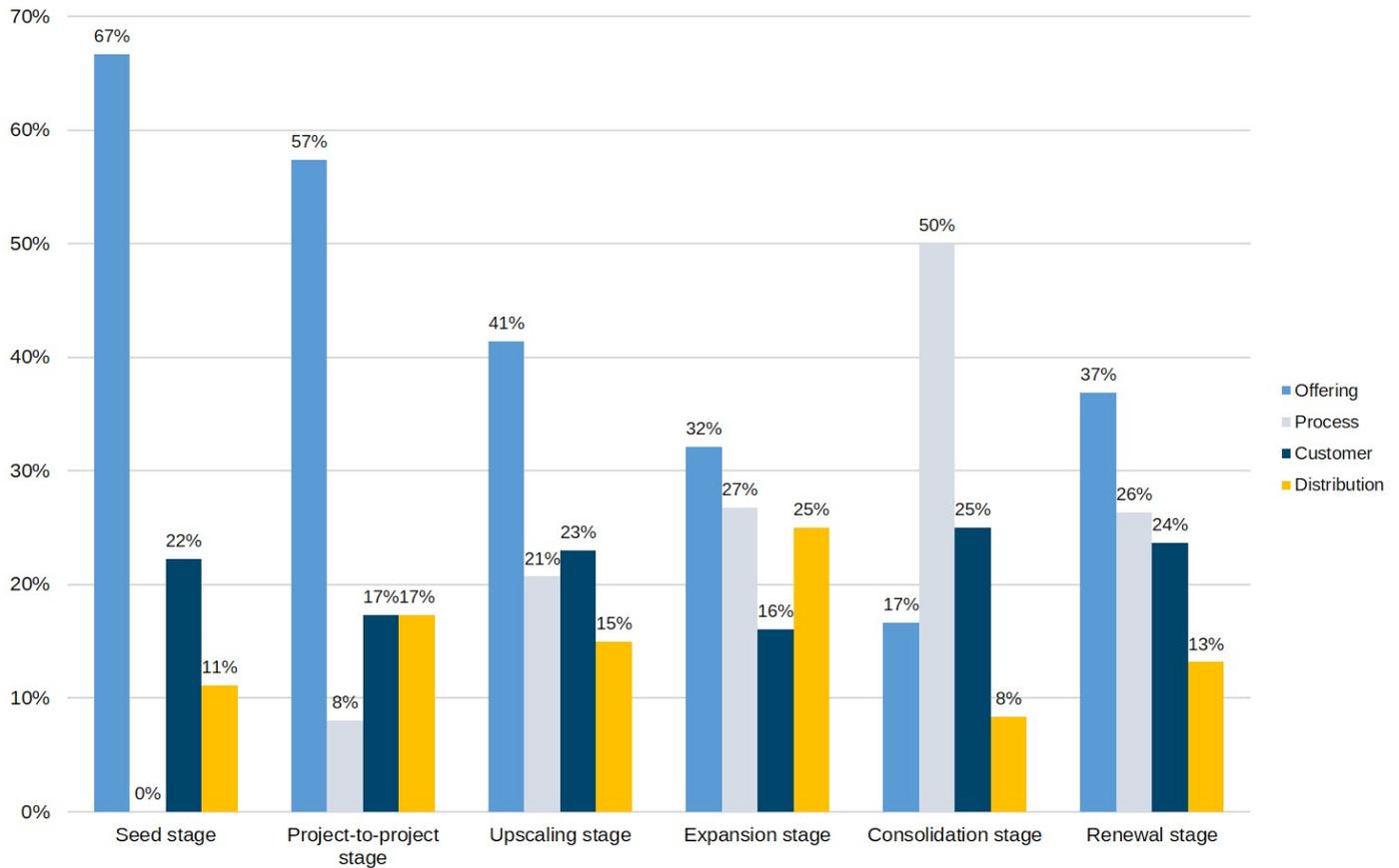


Figure 17: Distribution of challenges on the four business innovation vectors in different life cycle stages source platinn 2015 (base: 173 companies)

The business innovation need map provides a substantial input for an evidence based and demand oriented innovation policy. The statistic cockpit supports this kind of intelligence with its multi-criteria search options, its standardised statistic indicators and its ability to extract data for more advanced statistical or econometrical analysis.

## PART 2: DESIGNING AND IMPLEMENTING A COMPREHENSIVE COACHING SCHEME BASED ON THE SME-MPOWER APPROACH

### Why to invest into business innovation coaching of SMEs? Reasoning for policy makers

By joining the "family" of regions that follow the smE-MPOWER philosophy, regions are guaranteed a "high-end" solution for innovation coaching of SMEs. The main advantages of the smE-MPOWER system can be summarised as follows:

**Well-established model** – The smE-MPOWER-based scheme has been tested, implemented and delivered great results to SMEs in a number of cases such as the Western Switzerland, the South Moravia (Czech Republic) and the European Commission for their flagship programme the "SME Instrument". In total, more than 4.000 coaching activities have been delivered by the smE-MPOWER "family" since 2009. More recently, many regions (within and outside EU) have expressed an active interest in adopting this "mature" and well-tested model of coaching for SMEs.

**Fast initiation at low costs** – Following the smE-MPOWER guidelines, a regional coaching scheme can be set up, launched and become operational within a year. The system is easily transferrable and first success stories can emerge within months. This can lead to a decision by the region to invest more on the scheme and enlarge its scope by leveraging other innovation support for SMEs in the region.

**Highly appreciated by the SMEs** - Compared to other innovation policy initiatives (such as business grants), business coaching is aligned much better with the reality of SMEs, creating much higher satisfaction by the involved SMEs that recognize its value very quickly. Coaching empowers SMEs to identify their strategic needs and accelerate significantly the development and implementation of strategic projects. Moreover a coaching scheme allows a region to reach a much wider spectrum of SMEs than with the traditional subsidy-driven programmes. For instance business innovation coaching allows a region to encourage innovations to companies from rural areas. A recent Swiss study on Research and innovation<sup>23</sup> shows that the most appreciated public services by SMEs are coaching and information services. Similarly, the Czech coaching programme JIC PLATINN proves a high satisfaction rate of the South Moravian SMEs served by coaching (75% on the Net Promoter's Score 75 %).

**Transparency** – The smE-MPOWER system allows the collection of statistical evidence for the types of SMEs supported, their characteristics (size, lifetime stage etc.) and their innovation needs as well as for the quality of the coaching interventions including the customer feedback. This evidence enhances the dynamic alignment of offerings to the needs of SMEs and it fosters continuous improvement of the coaching service, securing the long-term success of the scheme. Furthermore, the on-line monitoring system is a very effective interface to political decision-making by offering full transparency on issued like the financial flows, the allocation of subsidies, the types and characteristics of beneficiaries, the impact of the scheme and the service providers involved in the process.

<sup>23</sup> See Research and Innovation in Switzerland 2016, page 188

## How to implement and run the regional coaching scheme?

### 11 key success-elements

**Eleven key elements** were identified **for a successful regional coaching scheme** as a result of peer-reviews and workshops in five European regions implementing or planning to implement smE-MPOWER based coaching services (Western Switzerland and South Moravia with an implemented coaching scheme and Lithuania, Upper Austria and Saxony-Anhalt as aspiring regions)<sup>24</sup>. These five regions, which are at different levels of economic development and with different levels of coaching implementation, provide a diversity of experiences to showcase to other interested regions how a coaching system can be built according their starting point in terms of industrial structure and economic development.

**The first six elements** can be seen as the system foundations on which regions should construct their coaching scheme. Without them, a successful implementation of the coaching scheme is highly unlikely. By implementing one or more of **other five elements**, a region can enhance further the coaching scheme, allowing to **measure, improve and maximize the impact of the scheme**. For each element, an explanation and real examples from different regions are offered to show how they have been handled and adjusted to the specific context of the region. The overview table also shows the different levels of readiness of the regions involved in the Peer-BIT project.

<sup>24</sup> Peer-BIT project partners or associated partners.

## 11 key success-elements for a regional coaching scheme

- ✓ Present in the region
- ... Present to some extent
- ∅ Not available

		READINESS LEVEL				
		REGIONS WITH A COACHING SCHEME		ASPIRING REGIONS		
		Western Switzerland	South Moravia (Czech Republic)	Lithuania	Upper Austria	Saxony-Anhalt (Germany)
<b>Setting up the coaching scheme (building blocks)</b>	Regional commitment and stable financing	✓	✓	...	...	...
	Implementation agency with a leader	✓	✓	✓	✓	∅
	Common understanding of business innovation	✓	✓	✓	...	...
	Access to SMEs and understanding their needs	✓	✓	✓	✓	...
	Access to coaches	✓	✓	...	...	∅
	Organizational design of collaborative network	✓	✓	...	...	∅
<b>Measuring, improving and maximizing the impact</b>	Active usage of coaching tools	✓	...	...	∅	∅
	IT-based Network management system	✓	...	...	...	∅
	QA system for coaches	✓	✓	...	...	∅
	Advanced monitoring and evaluation system	✓	...	∅	∅	∅
	Use of coaches of other regions	...	...	...	...	...

## Setting up the coaching scheme (building blocks)

### Element 1: Regional commitment and stable financing

Although a regional smE-MPOWER coaching scheme can be initiated in a relatively short time period, the impact and the brand of the scheme is affected by a number of factors like the professionalization level of the host organisation, the competence of the various actors involved (such as KAMs and coaches) and obviously the process for building up their competences. As a result, the success of a business coaching scheme (as any public intervention) depends critically on the presence of a stable and long-term financial backing from the public authorities to allow trust-building among the various actors, the leverage of the public investment and eventually the building-up of a sustainable scheme.

According to the experience of the Peer-BIT project partners, the regional commitment for establishing and financing on a long-term basis a coaching scheme doesn't usually come from the politicians; it is rather a bottom-up process initiated by visionary intermediaries, who are in direct touch with SMEs and thus, can detect their needs. An obvious question raised by the regions interested in introducing a coaching scheme is "How do we persuade the politicians to invest?"

Previous experience indicates that the formation of small core team of visionary individuals (from implementation/innovation agencies, visionary politicians, and important businessmen) agreeing on a joint goal and a communication strategy towards the policy makers is an important enabler of this bottom-up process<sup>25</sup>. The strategy might be to identify a source of finance for a smart pilot project of coaching a limited number of SMEs firstly and then expanding the scheme using the good results of the pilot project; that is how the regional coaching schemes in Western Switzerland as well as in South Moravia were born<sup>26</sup>.

Such a pilot project, including its planning, its implementation and the evaluation, can be carried out within one year and doesn't require large amount of resources<sup>27</sup>. The support from politicians can be achieved much more easily with a proven track record of impact provided by the evaluation results of its evaluation and the feedback from the coached SMEs. An additional benefit is that the fine-tuning and the adjustment of the system activated during the pilot implementation, the host agency can learn and become better equipped for managing a bigger-scale coaching programme on a long-term basis.

An important enabler is the level of development from the regional ecosystem(s) and the compliance with the regional innovation strategy (RIS). Generally speaking, the more developed the RIS is, the higher probability of a long-term support of a coaching scheme<sup>28</sup>. The RIS represents a platform, where new support initiatives are approved and where the stakeholders accept responsibility and become committed. The presence of a well-developed RIS provides a powerful mechanism for focusing the minds of stakeholders in the region on the innovation potential of their region as well as on the fact that SMEs need support in business innovation.

<sup>25</sup> One option could also be to establish diplomatic duo (two persons from "core team") who are able to communicate the vision and are political neutral.

<sup>26</sup> The other three involved regions have also established a core pilot team and are preparing their schemes on the intermediary level first, as well.

<sup>27</sup> The estimated costs are approximately 25 000 EUR including the rewards for coaches and project management.

<sup>28</sup> See the RIS of the Western Switzerland ([www.platinn.ch/ger/platinn/Strategische-Projekte/RIS-WS](http://www.platinn.ch/ger/platinn/Strategische-Projekte/RIS-WS)) and of South Moravia ([www.risjmk.cz/en/](http://www.risjmk.cz/en/)).

A political consensus of all involved partners is an enormous advantage for the process of introducing a new support scheme for SMEs. The success of the coaching schemes in Western Switzerland and South Moravia are partly explained by the fact that they became long-term policy instruments of the respective RIS. In this way, the financing is secured on an annual basis<sup>29</sup>.

The other three regions from the Peer-BIT project haven't reached yet a long-term political and financial support. Business coaching service offered to SMEs in Lithuania or Upper Austria is dependent on time-limited projects available only for some SMEs<sup>30</sup>. However, there are other support services and schemes available for SMEs in these two regions supported by their RIS. In fact Saxony-Anhalt is in preparation of a pilot project for a coaching scheme.

### Element 2: Implementation agency with a leader

This point reflects the necessity to have

- a dedicated institution managing the scheme and
- a devoted person/s being personally responsible for the scheme's success.

From the Peer-BIT partners' experience, the latter point seems to be even more important. New successful initiatives start very often with a pioneer who succeeds to convince her/his employer (e.g. a future or existing implementation agency) about the value of her/his idea. This happened in Western Switzerland and South Moravia, where the coaching schemes were established because of the initial effort of a person (or a few persons) who managed to find RIS stakeholders ready to take risk of supporting new initiatives in order to create a first round of success coaching stories. In both regions, a new business unit was established eventually within the implementation agency: in Western Switzerland, the platinn team around Christoph Meier was established, in South Moravia, a new Business Innovation Team was founded around Jindřich Weiss.

In the other Peer-BIT regions, there are people (within or outside innovation agencies) taking actions aiming at getting business coaching recognized as a high added-value activity and eventually to establish a regional coaching scheme. Unfortunately, the introduction of a coaching scheme at a regional level is often blocked by complicated institutional set-up with several implementation agencies potentially involved. In such cases, Western Switzerland might serve as best practice how to organize multiple stakeholder structure into a collaborative network.

*"Thanks to the KAM and the coach we were able to identify different users' needs and products in the market. We have developed a better commercialisation strategy."*

Medium sized company,  
Transport Infrastructure

<sup>29</sup> The Swiss platinn is financed by the seven cantons and federal government (50:50 relation). The South Moravian JIC PLATINN is subsidized by the Region of South Moravia and the City of Brno.

<sup>30</sup> E.g. "Enhancing innovation management capacity" programme of Enterprise Europe Network of business coaching under Horizon2020 programme.

### Element 3: Common understanding of business innovation approach

No coaching scheme can work well without a solid methodological background and having all involved actors (SMEs, coaches, intermediaries etc.) speaking the same language. The three methodological building blocks of smE-MPOWER proved to work well in this respect (see Part 1).

### Element 4: Access to SMEs and understanding their needs

Coaching is not easy to “sell” because it targets the SME’s top management. A long-term trust between the implementation agency, the KAMs, the coaches and SMEs must be built. All these actors shall have a direct access to and communication with each other in order to secure the demand-led principle of coaching. The direct access and communication between the various actors should become a strategic brand-building of the coaching scheme and implementation agency. That is why it is so important to run the coaching scheme on a long-term basis as a service (not a project) and not to change the rules of the game too often. The graph below shows the long-term effects of trust-building on the overall performance of a coaching scheme. Both Western Switzerland and South Moravia leverage the stability of their schemes to generate the gradual increase of initial coaching activities. The SME Instrument coaching service has followed a similar path leveraging on the stability of the Enterprise Europe Network.

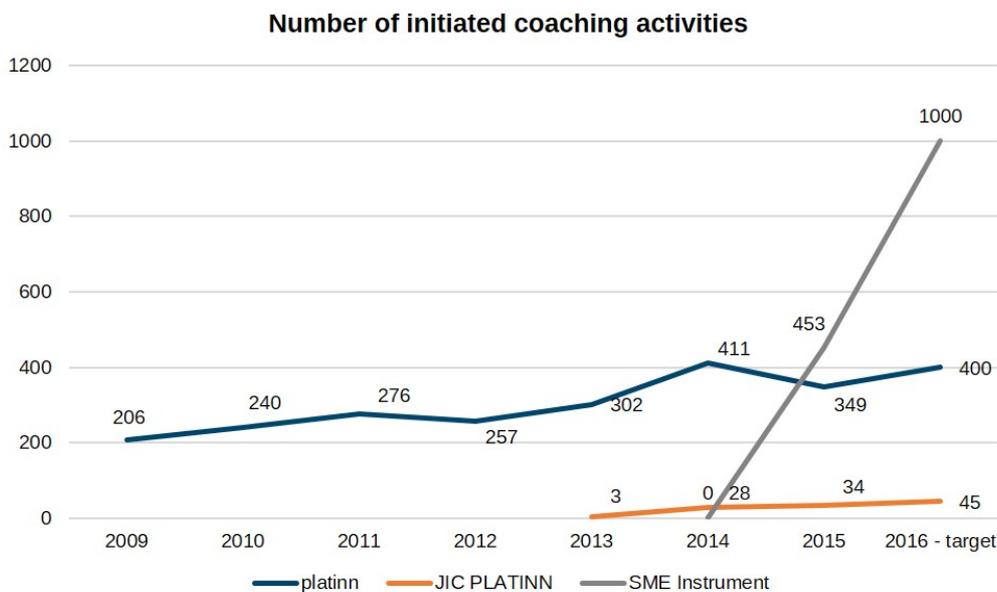


Figure 18: Number of initiated coaching activities in Western Switzerland and South Moravia<sup>31</sup>

Access to SMEs, understanding their needs and selecting an appropriate coach are major challenges for KAM. In Western Switzerland, the cantonal antennas<sup>32</sup> are playing this role. Lithuania has similar decentralized model. In contrast in South Moravia and Upper Austria, there are dedicated KAM inside the regionally-centred agencies. The European "SME Instrument" recruits KAMs from the regional organisations of the Enterprise Europe Network.

<sup>31</sup> Purpose of this graphics is to show the trend, not to compare the absolute numbers. Such comparison is not complicated due to different service

<sup>32</sup> The cantonal antennas are the economic agencies of cantons (<http://www.platinn.ch/eng/platinn/Team#Cantonal%20partners>).

### Element 5: Access to coaches<sup>33</sup>

Access to a significant number of coaches can be achieved through a bilateral agreement with another (partner) region to share coaches. However, such special access requires high level of trust and shared rules between the concerned regions.

The following graphics compares schematically the three modes of access to coaches from the perspective of the two critical dimensions: variety of specialities and risk for the quality of the delivered service. The values in the graph are estimates from the Peer-BIT partners based on their experience so far.

#### Pros and cons of three modes of access to coaches

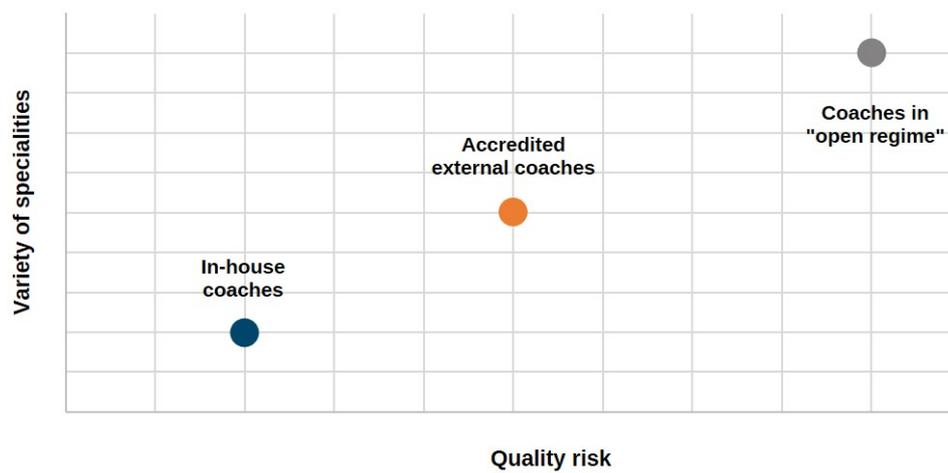


Figure 19: Pros and cons of different access modes to coaches

<sup>33</sup> Usually experienced businessmen transferring their know-how to SMEs.

### Element 6: Organizational design of collaborative network

This element stresses the importance of a proper service design and the management of complexity. It connects the first five elements into a comprehensive logic and cooperation. Successful coaching schemes perform because they manage to mobilize key actors and leverage their collaborative networks. Their proximity to SMEs as well as the access to coaches of different specialties can address the SMEs' needs in an efficient way and at high quality standards. Moreover, substantial externalities can be generated by the combination of coaching with other innovation support services.

At the same time, the design of the service must be dynamic and continually adjusted to the changing conditions over time (e.g. segmentation of different types of coaching services, dividing coaching activities into more stages, increasing co-financing duty for SMEs etc.).

Once a collaborative network is functional, it allows not only to efficiently serve the SMEs, but also to strategically maintain and develop the key resources such as the community of coaches, the knowledge base, marketing and promotion and maintaining the KPI system etc. This is not possible in those regions, where such networks are organized only on an ad hoc basis.

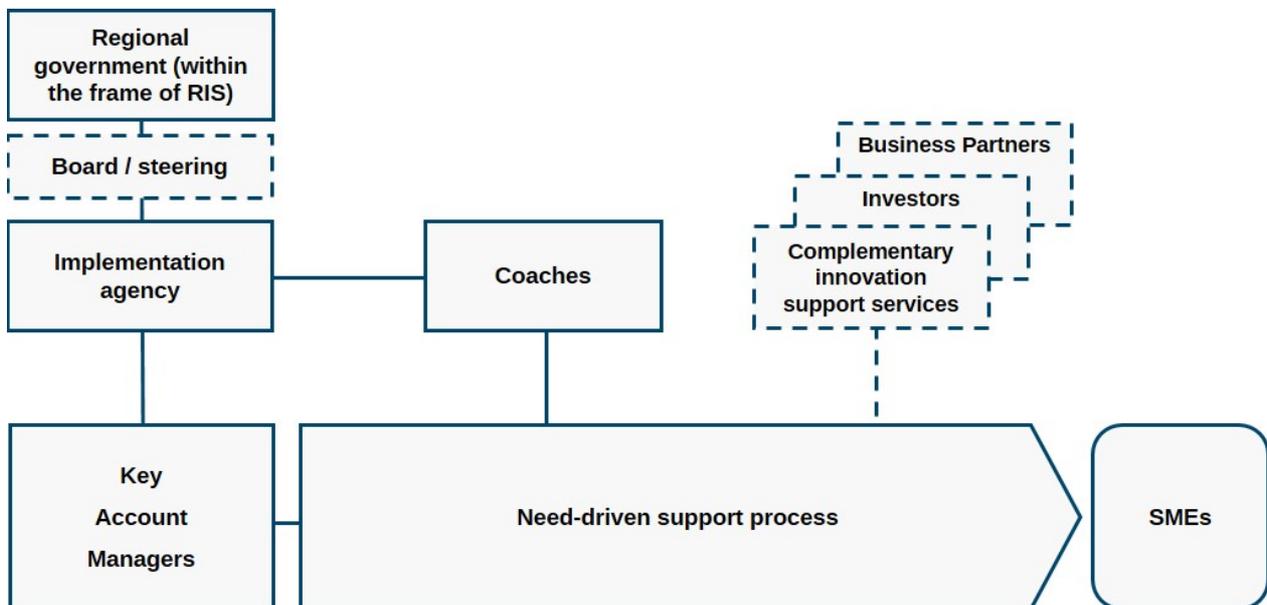


Figure 20: The basic recommended organizational design

### Measuring, improving and maximizing the impact

The next five elements allow the coaching system to better measure, improve and maximize the impact of the coaching scheme. They enable flexible alignment of the coaching to the dynamically changing SMEs' innovation needs.

### Element 7: Active usage of coaching tools

While common understanding of the business innovation system is a necessary precondition, active use of various tools for coaching might further enhance the value provided to SMEs.

In Western Switzerland and Lithuania, coaches have to go through a dedicated training in the main coaching tools. Training and debriefing sessions for coaches are organized while the coaches are also involved in further development of the smE-MPOWER tools.

In South Moravia, the Business Innovation Roadmap tool is used for the needs' analysis and helps KAMs and SMEs to identify and elaborate their innovation needs. At the same time, this tool provides a critical input for matching the particular needs of an SME with an appropriate coach. However, JIC's KAMs and coaches are still short of actively using the full range of smE-MPOWER tools. The main bottleneck is the absence of a proper train-the-coach programme, which will allow the coaching programme to maximize its impact.

Business Upper Austria has an ongoing EIMC project using IMP<sup>3</sup>rove<sup>34</sup> for the assessment of innovation management. The generated report serves as a basis for recommendations how to improve in the different sectors of innovation management. The smE-MPOWER tools are perceived by BIZ-UP as potential enhancement of the value provided to SMEs.

### Element 8: IT-based network management system

Steering of the deal-flow of coached SMEs is a challenging process to handle. Many regional implementation agencies run their CRM systems. These serve solely as tracking systems about "what has been done with the SME" and doesn't allow active participation of coaches, SMEs and/or stakeholders.

When the threshold of 30 coaching cases per year is exceeded, the implementation agency starts feeling a big pressure to get IT support for the coaching process. The pressure will be the result of several needs that are becoming much more pressing: the need to achieve a smooth matching of SMEs' needs and the right coaches, an efficient decision-making process, a decision-making process that is accessibility by all involved actors (SMEs, KAMs, coaches, stakeholders) and the pressure for instant reporting and transparency that secure the operational smoothness and cement the support from the political system.

A special Web-based **network management system, called "Case Tracker"**, was developed by platinn and has been recently adopted by EASME to support the coaching service provided as part of the SME Instrument programme. Many regions have become are familiar with the system thanks to the SME Instrument programme. However, only platinn uses Case Tracker also as an IT system for its regional coaching scheme. Case Tracker makes possible to run several hundred coaching activities at the same time in Western Switzerland. JIC is about to adopt the Case Tracker in order to be able to scale-up the JIC platinn coaching scheme<sup>35</sup>.

<sup>34</sup> [www.improve-innovation.eu](http://www.improve-innovation.eu)

<sup>35</sup> See the "Figure 5: Number of initiated coaching activities" in Western Switzerland and South Moravia to compare the efficiency of a coaching scheme with and without an IT tool.

### Element 9: QA system for coaches

Quality of coaches is a crucial element for a successful coaching scheme. In this regard, three key processes must be set up and maintained by the implementation agencies: 1) Accreditation, 2) Evaluation, 3) Learning and Networking.

A strict procedure should be designed for accepting new coaches on-board. The implementation agency should pay special attention to

- relevant business experience of the coach;
- track-record in business coaching;
- the motivation of the coach (which should not be primarily financial).

A recommendation for the new coach from a third-person should be also sought.

Previous experience has shown that it is much easier to test the potential coaches before their accreditation than to exclude them once they are accredited.

Regular evaluation of coaches' performance is necessary both for quality assurance and for the development of the coaches' community in every region. In Western Switzerland and South Moravia, the evaluation is organized annually, reviewing the performance of every coach in the last two years. The following three key performance indicators are assessed:

- number of coached cases;
- degree of clients' (i.e. SMEs') satisfaction;
- commitment level (e.g. active participation on events for coaches, ethical issues etc.)<sup>36</sup>.

If a coach is underperforming in one of the three criteria on a long-term basis, the suspension of accreditation is seriously considered.

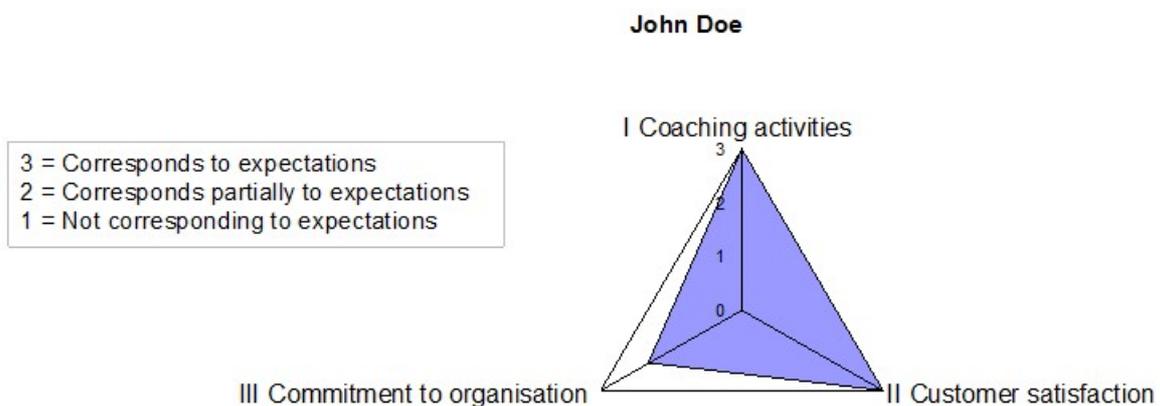


Figure 21: Example of an annual coach-evaluation sheet from platinn

<sup>36</sup> In regions with ad hoc coaching services, the only measured KPI is the clients' satisfaction. For a long-term coaching schemes, the other two must be measured, as well.

A coaching scheme should build on the community of involved coaches which is fostered through special actions towards accelerating networking and mutual learning. Based on previous smE-MPOWER experience, the coach community concept is built around two main drivers. Firstly, how the community will build and expand the common knowledge base of tools, methodologies and good practice evidence. Secondly, how knowledge is spreading and anchored within the community. This in turn implies continuous learning and close interaction among community members through the means of discussing and trying to solve problems of real life cases of SMEs leveraged by the expertise, tools and experience of peers i.e. fellow coaches. This type of “action learning” lies at the heart of the coach community development initiatives and is implemented by a mixture of top down initiatives (formal training and networking events) and bottom-up activities (informal exchanges between coaches and informal co-operation on coaching cases). Newcomers, less experienced or more peripheral members shall learn from experienced colleagues by participating in a dynamic knowledge sharing environment.

Due to the diversity of business innovation needs, a coach community is normally a heterogeneous group. The learning process is not intended to harmonize coaches according to a single, specific competence profile, but rather to utilize the diversity of skills as an asset towards the different SME needs and encourage further specialization.

#### Element 10: Advanced monitoring and evaluation system

The monitoring and evaluation system (MES) is an integral element of an evidence-based innovation policy approach. This element addresses a simple question: Has our regional/national coaching scheme been achieving its mission? However, it is fair to say that answering this question is far from simple.

Although the mission of an SME coaching scheme is in a broad terms the same in every region, there are important local specificities that need to be taken into account. The first and often crucial step towards a useful<sup>37</sup> MES is to define precisely the objective(s) of the coaching scheme. This means setting up relevant indicators (and target values) regularly monitored throughout the process. Clear and quantified objectives are important for managing the scheme effectively and efficiently and thus, for maintaining long-term political commitment. On the other hand, target values must be achievable in order to avoid a loss of energy and commitment.

The MES consists of three basic elements:

- Monitoring system
- Case results evaluation
- Impact evaluation

<sup>37</sup> A common mistake of an attempt to set-up a monitoring and evaluation (M&E) system is to start a programme (or scheme) without precisely defined objectives and their indicators. As a result, M&E systems became formal, closer to a bureaucratic exercise rather than a strategic valuable input to a sophisticated and complex decision-making process (involving different needs, perspectives and interests).

The monitoring system was designed in order to gather data for the operational and the strategic management at JIC PLATINN. There are three main sources of data which focus on the different phases of the interaction with a client firm. First, innovation opportunities analysis, as a first step of the interaction process results in a comprehensive dataset reflecting the client firm's situation when entering the coaching scheme. Second, evaluation of every single coaching case gathers data about particular changes within the client firm which are initiated, in progress or completed. This is also the source of immediate feedback from clients which the KPIs are based on. Third, interviews with selected clients focused on mapping the economic impacts of changes initiated within the firms by the coaches. All the data are saved in a unified database information system providing data for different analyses required.

Case results evaluation is the final step in the coaching process. It has two parts, a standard online questionnaire and a feedback meeting where the CEO of the client company, the coach and the KAM participate. Based on the data from the standardized questionnaire, these KPIs are:

- **Immediate client's satisfaction with the coaching**

Client's satisfaction is measured on a 0 – 10 scale where 10 stands for 100% satisfaction. This KPI is defined as the percentage of clients whose satisfaction rate exceeds the 80%. The question on general satisfaction within the coaching service is followed up by a detailed question matrix that seeks positive changes in particular areas.

- **Net Promoter Score® (registered trademark by Satmetrix<sup>38</sup>)**

This is an internationally well-established indicator of customers' satisfaction which can be effectively used for benchmarking, even when quite different coaching schemes are compared<sup>39</sup>.

Both Immediate client's satisfaction, and Net Promoter Score® are regarded as proxies of clients satisfaction. In addition to these KPIs, several other output indicators are also used such as the number of coaching cases accomplished, the number of cases that have gone through the innovation opportunity analysis and the number of coaching hours delivered. The feedback meeting is focused on both the deeper evaluation of the coaching case, and the identification of opportunities for further improvement of the coaching scheme itself.

The accreditation system of the coaches includes a periodic evaluation in order to decide on any follow-on training measures and to determine if the accreditation can be renewed for the following year. The evaluation is based on the previous two years.

The evaluation process consists of five steps, see figure 22:

<sup>38</sup> Reichheld, Frederick F. (December 2003): [One Number You Need to Grow](#). *Harvard Business Review*.

<sup>39</sup> For a definition and basic introduction see [https://en.wikipedia.org/wiki/Net\\_Promoter](https://en.wikipedia.org/wiki/Net_Promoter).

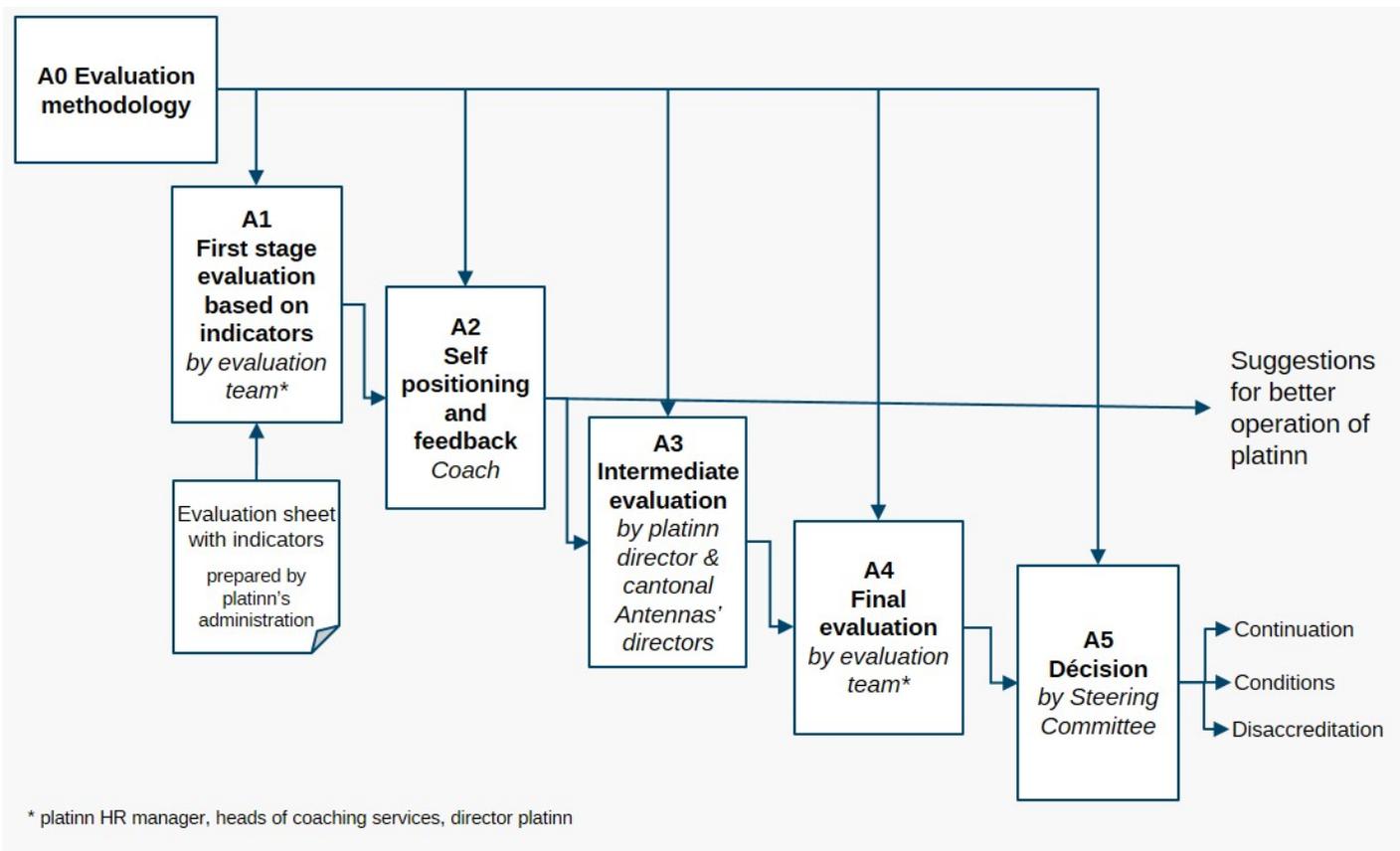


Figure 22: Periodic evaluation of platinn accredited coaches

### The more transparent the better

The concrete results of coaching are not always easy to grasp and communicate. The ability to show clear evidence of its value to funders and stakeholders, is crucial to secure their long-term commitment and support. At least one region (Western Switzerland) has developed a reporting system able to show in a comprehensive way a cost-benefit analysis to the stakeholders instantly (online up-to-date availability of data). platinn's KPI are directly linked with the governance people so stakeholders feel always informed and involved. Such transparency supports the trust among the players within the regional eco-system and is highly appreciated by the stakeholders. For all other regions manual ad hoc reporting of the achieved results (all other regions) is the prevailing practice.

### Delay between implementation of changes and economic impact

From a strategic perspective, there is the issue of the delay between the implementation of changes in SMEs and the point to measure the economic impact of these changes. Therefore, an impact evaluation is necessary in order to find out to which extent the purpose of the coaching scheme has been achieved. This should be conducted with a reasonable number of cases which were finished two or more years before the impact evaluation. JIC PLATINN impact evaluation in 2015 showed that changes initiated by coaches did not lead to a significant economic impact during the first year after the coaching case had been completed. However, the interviewed CEOs stressed they expect significant economic impacts two or three years after the coaching took place. The usual reason for this “delay” of real economic benefits consists of unexpected complications or additional needs appearing during the implementation of the changes initiated by the external coaches.

In line with the societal objectives of innovation policy, impact evaluation not only focuses on the financial benefits achieved by the coached companies, but also on the additional jobs created and the impact in terms of growth, salaries increase, qualification upgrading etc. The most challenging issue when conducting the impact evaluation is the connection between the changes implemented as a result of the coaching and the corresponding results at various levels (e.g. financial, operational) within individual companies.

### Lessons Learned: Recommendations for other regions

- Use customers' satisfaction indicators as KPIs. Metrics based on economic impact are not relevant for operational (nor partly for strategic) management of coaching schemes.
- Use qualitative context information as a supplement to KPIs. It helps managers to make the right decisions in a complex economic environment and get valuable feedback for the continuous improvement of the coaching scheme.
- Utilize information from case results evaluation for identifying the best clients for future coaching support. Repeated coaching activities seem to be able to deliver the highest economic impact.
- Strategic segmentation based on the relevant monitoring system can help focus scarce sources on the most relevant companies in terms of growth potential.

### Element 11: Involvement of coaches of other regions

Recently, a great opportunity has emerged for creating further impact of regional coaching schemes. Some regions have established successful coaching programmes for their SMEs and therefore developed a sound pool of coaches from their regions / countries. Sharing this key resource across boarder might allow or enrich coaching schemes of other regions. International coaching is provided to SMEs in number of ad hoc European projects supporting SMEs.

Sharing of coaches internationally already happens within the SME Instrument programme. The results of SMEs coached by a foreign coach are a promising signal that such shared pool of coaches brings significant new added value both to SMEs and regional eco-systems.

In order to share coaches as a key resource between more regions, high level of trust is needed between the implementation agencies. This trust should be based on some of the key elements mentioned earlier: a) shared philosophy; b) smooth organization supported by an advance IT system; c) strong quality assurance system for coaches etc.

Pilot projects of sharing coaches across the border have already been successfully carried out between Western Switzerland and South Moravia, where both regions make their coaches available to each other. Using coaches of other regions is particularly interesting for those regions building their coaching schemes (and the coaching pools) from scratch. By doing so, they might accelerate the process and be able to provide high quality coaching to their SMEs much earlier<sup>40</sup>. Most of the involved regions would highly appreciate the possibility of using coaches from other regions.

*"The result of the work in Spain and Italy will definitively enable and speed up the market access for our early detection diagnostic test of pancreatic cancer in these markets." Great concept and (name of the coach) was the right person for us! "*

Small company, Biotechnology & Medical Research

<sup>40</sup> Some first trials have been registered between South Moravia and Zlín region. The Canton of Bern is about to join Western Switzerland and allow its SMEs to be coached under the platinn programme.

## CONCLUSION

Established SMEs and start-ups are the innovation engines of the European economy. However, the fact that their potential is only partly exploited due to limiting soft factors in areas such as strategy, market, organisation etc. raises the question of complementing the current innovation systems with a need and demand driven support.

For many years, this focus on soft factors has been at the heart of the smE-MPOWER community. At the beginning, it was a European project consortium pursuing that vision by developing the coaching scheme in the area of partnership building and strategic cooperation. It then became the central element of the innovation platform of Western Switzerland (platinn), from its success lead into spreading to other regions such as the Czech region of South Moravia (JIC). With the adoption of the smE-MPOWER coaching system by the European Commission (EC) for the SME Instrument programme in 2014, the smE-MPOWER package had the opportunity to become of a scalable and professionalised solution. Today, this comprehensive smE-MPOWER coaching system represents the state-of-the-art in innovation coaching of SMEs.

In agreement with the EC, this coaching system shall be made available to regional and national SME coaching initiatives as well as to R&I programmes targeting SMEs. The ethical foundations of the smE-MPOWER community guarantee the sharing of all components of the system from the coaching tools, the coach profiles and the software codes of the Web-based platforms. This allows the low cost access to the smE-MPOWER assets and it enables organisations to customize a coaching scheme to their specific SME business innovation support strategy.

With this in mind, smE-MPOWER aims to enlarge its international presence. It invites partners committed to tangible SME support to join the smE-MPOWER community and to contribute to its further success. The very positive SME feedbacks, received so far both on EU and regional level, is the best guarantee for a highly promising future.

Contact us under:  
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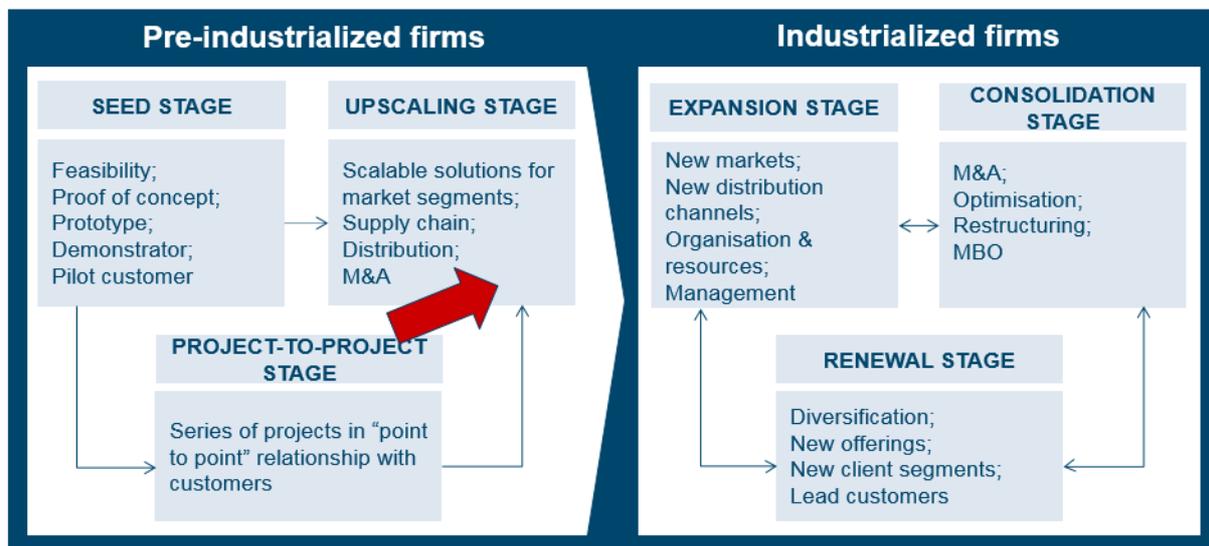
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## ANNEX I: EXAMPLE OF A SME COACHED BY SME-MPOWER METHODOLOGY

The Austrian company INOCON Technologie GmbH was coached by the smE-MPOWER team on the 17th of August 2016. Without going into confidential details, the following visual notetaking provides an impression of a customized application of the smE-MPOWER coaching approach. INOCON is an established technology provider in the area of plasma welding and plasma coating with a range of industrial applications in different markets. From the self-description of the company it becomes clear that their challenge lies in the transition from a purely project-to-project business with a high degree of customer specific services to a scaled solution supplier. This meta-level view can be made explicit within the frame of the company life cycle as follows and can help the company owner understand the order of magnitude of the challenges ahead. It can also help to communicate to the manager that what has been right for the past (e.g. in terms of management structure) can be the wrong solution for the future.

### Business challenges along a company's lifecycle

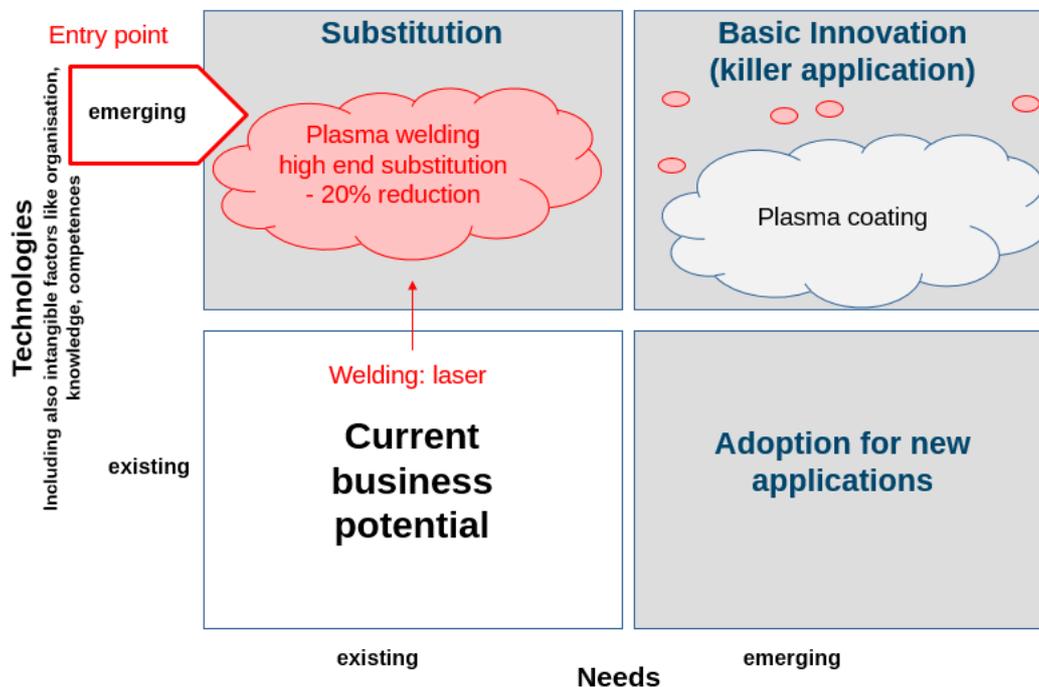
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Analysing the business innovation opportunities in the discussion two major strategic routes to market became evident: The company's innovative plasma approach to welding is superior to the laser-based market standard in some applications based on welding. To win on a substitution strategy as a rule of thumb 20% of price reduction or alternatively 20% of higher felt value must be offered in order to turn the customer away from the standard technology. The company's coating application of its plasma technology on the other side provides totally new value propositions and can potentially satisfy a range of new customer needs. It might therefore become the more profitable while more challenging market.

### Innovation opportunity profiling Business innovation matrix

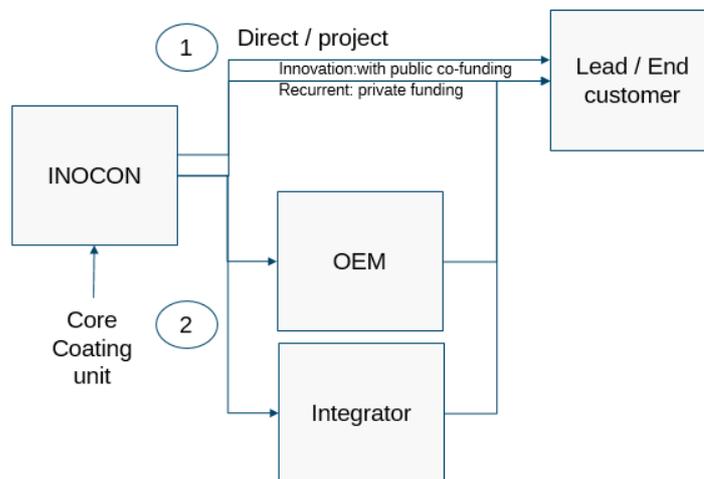
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Thinking business model in a next step the company identified two basic routes to market: direct sales and indirect sales. Direct sales is an established pattern in the company, especially when it comes to public co-funding. Opening indirect marketing channels, however, is new and will require more strategic consideration, reflecting on the choices between OEM and integrator distributors and finding entry points into the world of OEMs. One promising approach can be to convince an OEM to join a larger project based on the good results of previous projects and high customer satisfaction from a sample of products from the new projects.

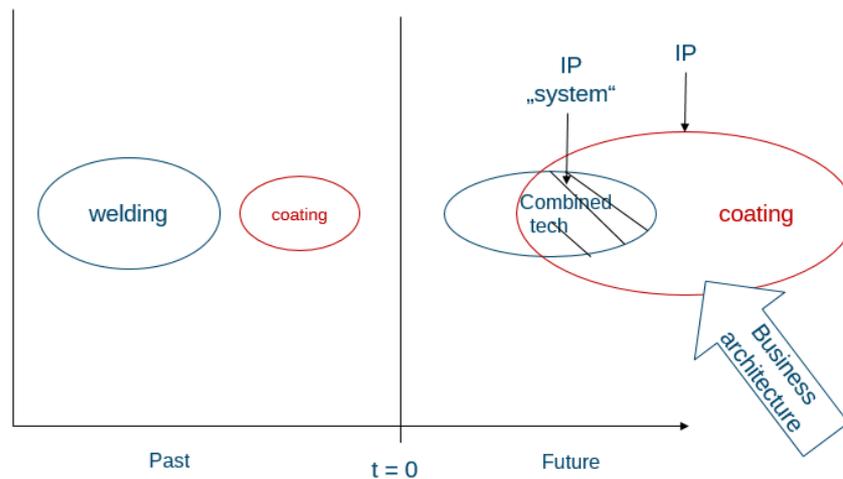
## Business model: From direct to indirect sales



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Reflecting on future market options against the current state demonstrates the change that an upscaling of the plasma technology for coating applications would entail. It also becomes clear that Intellectual Property (IP) is a critical aspect in this.

## IP focus



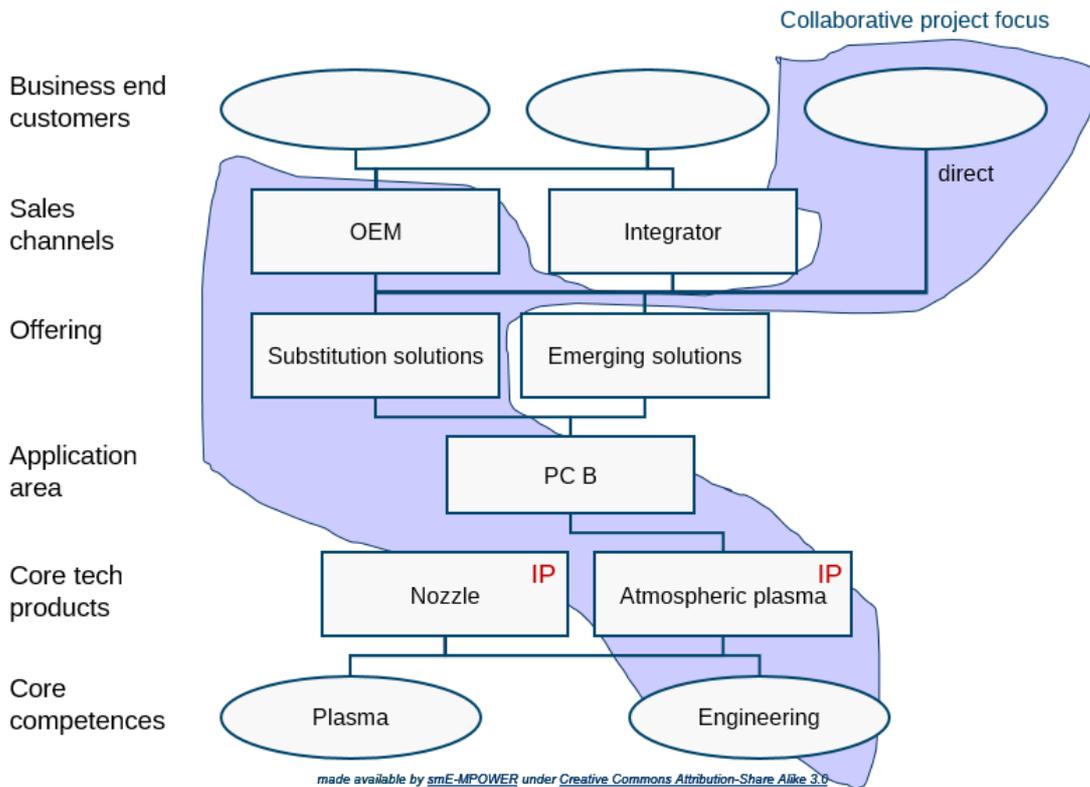
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Focusing on the plasma coating application, it is worth to establish a business architecture that zooms into the relationships between the company core competences and its markets. The business architecture distinguishes between person based core competences and company based core products, identifies key offerings per application area, and defines relevant sales channels and (types of) customers. In this case, the existent IP is checked on the level of core products and the focus of a potential collaborative project is delineated.

## Business architecture INOCON

Focus: Plasma coating

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After the smE-MPOWER coaching session INOCON confirmed that this visual and interactive way of business coaching had been appreciated a lot, resulting in a roadmap for action and – even more importantly – the consciousness of the owner about the level of change and rethinking that lies ahead on the road towards upscaling.

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Project partners:



Associated partners:



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